

# BH Global Limited

## Annual Audited Financial Statements 2009

ANNUAL AUDITED FINANCIAL STATEMENTS  
31 December 2009

### Chairman's Statement

BH Global Limited (the "Company") has come through a period of extreme disruption in financial markets, and has demonstrated that it is capable of delivering, in terms of both share price and of net asset value ("NAV"), consistent growth and returns not correlated to other assets. The Company has therefore shown that it can provide a valuable stabilising element in investor portfolios.

At the start of 2009, markets were still in the grip of the highly disturbed conditions which followed the Lehman's bankruptcy. The Company's share price fell by 30% which was reflected in a widening discount to NAV, though this was less than that seen in equity markets generally. NAVs have largely been preserved throughout the year. Indeed in only three months of the twenty one since the IPO has there been a fall in the NAV.

Over the calendar year the NAVs of the three classes increased by 14% (around 16-17% for the whole period from IPO to date). All of the Brevan Howard funds in which the Company was invested made a positive contribution. In October a small investment was made in the Brevan Howard Credit Catalysts Master Fund which has also produced a good return.

Given the discount to NAV during the year the Directors considered whether to activate the discount management procedures provided in the Company's prospectus. Initially it was considered that no purpose would be served by undertaking share buybacks in markets characterised by indiscriminate selling. By February 2009, however, some signs of improving markets had become apparent and the discount had begun to narrow. On 16 February 2009 the Company announced a two-part discount management programme.

First, arrangements were put in place enabling the Company (under the discretion of the Board) to offer a partial return of capital each year up to 100% of any increase in NAV during the preceding calendar year.

In addition the Board announced that it would utilise its existing buyback authority and, as and when appropriate, arrange for the Company to purchase shares in the market up to a limit of 14.99% of each class of shares.

A partial return of capital was effected by a tender offer which was successfully completed in May 2009. The tender represented up to 5% of the issued share capital of each class and the total amount of shares bought in amounted to US\$17.1 million, €4.8 million and £15.3 million in each of the respective share classes. Share purchases in the market during the year, which took place mostly in the summer months, were modest amounting to US\$24.1 million, €4.7 million and £9.5 million.

By September 2009 a combination of these measures and improving markets saw the discount come down into single figures. But as the cumulative average over the preceding 12 months remained over 10% it was necessary to hold continuation votes for each class of shares. These were held in October and the vote for continuation in each class exceeded 95%. At the same time approval was secured for a change in the criteria for such votes which will be judged on the performance over a calendar year, thereby giving greater certainty as to when a vote might be triggered.

The outcome of the vote demonstrated confidence in the underlying performance of the Company. The share price, which remained more or less flat in the final months of 2009, has picked up in the early months of 2010, reducing the discount to below 3%. This reflects not only improved sentiment in the hedge fund sector but the efforts of the Company's marketing team in finding new investors to replace those wanting to leave.

The Directors attach great importance to high standards of corporate governance. The Board, which is independent of the Brevan Howard group, holds quarterly meetings, with additional meetings as required. These review the Company's financial performance and the services it purchases from outside service providers. It is supported by an Audit Committee on which there is a majority of independent members. To further strengthen its independence the Board intends to recruit an additional independent director who will also serve on the Audit Committee. The Board has also established a Management Engagement Committee comprising independent directors.

The track record of the Company demonstrates that the business model is sound. It provides a wide range of investors with access to Brevan Howard managed funds and has achieved steady growth combined with low volatility. Moreover it has shown that the model can withstand severe financial shocks as well as prospering in favourable times.

**Lord Turnbull**  
Chairman

15 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 25 February 2008.

The Company was admitted to a Primary Listing on the Official List of the London Stock Exchange on 29 May 2008. As of 20 October 2008 the Company obtained a 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 billion.

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

### **Investment policy**

The Company's investment objective is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of those expenses of the initial public offering borne by the Company and funds required for its short-term working capital requirements) in Brevan Howard Global Opportunities Master Fund Limited (the "Master Fund"), an open-ended investment company with limited liability formed under the laws of the Cayman Islands.

The Master Fund will spread investment risk by investing in a variety of other investment funds of which one or more of the Brevan Howard group of affiliated entities is the manager or investment manager (the "Brevan Howard Underlying Funds") in order to provide exposure to a range of strategies, asset classes and geographies that fall within Brevan Howard's investment activities from time to time. These investment funds may invest in a wide range of geographical regions, sectors and instruments. Such instruments may include, but are not limited to, debt securities and obligations (which may be below investment grade or unrated), bank loans, listed and unlisted equities, other collective investment schemes (which may be open ended or closed ended, listed or unlisted, and which may employ leverage), currencies, commodities, futures, options, warrants, swaps, other derivative instruments and any other type of instrument or security. These funds have the ability to take short positions across the majority of these instruments.

Subject to the investment restrictions disclosed in the Prospectus and subsequent Directors' resolutions, the allocation of assets of the Master Fund among the Brevan Howard Underlying Funds in which it is permitted to invest will be at the discretion of the Manager.

### **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 Manager, Brevan Howard Offshore Management Limited and the other service providers and for the Company's activities. The Directors, all of whom are non-executive, are disclosed on the inside back cover. Steven Stonberg is not independent of the Manager. Talmi Morgan is not independent of the Manager for the purposes of LR15.2.12.

The Articles provide that unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two. 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 ended 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.

<b>Scheduled Board Meetings*</b>	<b>Held</b>	<b>Attended</b>
Lord Turnbull	5	5
John Hallam	5	4
Talmi Morgan	5	5
Nicholas Moss	5	4
Stephen Stonberg	5	5

<b>Audit Committee Meetings</b>	<b>Held</b>	<b>Attended</b>
John Hallam	3	2
Talmi Morgan	3	3
Nicholas Moss	3	3

\* *In addition to the scheduled quarterly Board meetings the Board, or committees thereof, held 22 ad hoc meetings to deal with matters of an administrative nature. These meetings were attended by those Directors who were available at the time.*

## Management Engagement Committee Meetings

The Management Engagement Committee was formed on 12 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.

Talmi Morgan and Stephen Stonberg are both non-executive Directors of BH Macro Limited which was incorporated on 17 January 2007 and started trading on the London Stock Exchange on 14 March 2007. BH Macro Limited is

managed by Brevan Howard Offshore Management Limited, the Company's Manager, and is a feeder fund for the Brevan Howard Master Fund Limited into which the Company's Master Fund invests.

The Directors had the following interests in the Company, held either directly or beneficially at 31 December 2009:

	<b>US Dollar shares</b>	<b>Sterling shares</b>
Lord Turnbull	Nil	5,000
John Hallam	5,000	Nil
Talmay Morgan	5,000	Nil
Nicholas Moss	Nil	Nil
Stephen Stonberg	Nil	8,628

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

	<b>US Dollar shares</b>	<b>Sterling shares</b>
Lord Turnbull	Nil	5,000
John Hallam	5,000	Nil
Talmay Morgan	5,000	Nil
Nicholas Moss	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 in August 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.

### Other related party transactions

As at 31 December 2009 Alan Howard, Chief Investment Officer of Brevan Howard Asset Management LLP held an interest of 706,375 US Dollar shares and 161,107 Sterling shares in the Company which he acquired through on-market purchases, as detailed in stock exchange announcements made on 28 November 2008.

### 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 reviews investment performance at each Board meeting and a review of the Manager will be conducted by the Management Engagement Committee annually.

The Board met to review the performance of the Manager, with the non-independent Directors abstaining from voting for the retention of the Manager. As a result of this review, having regard to the Manager's formal duties and responsibilities, it is the opinion of the Board that the continued appointment of the Manager on the terms currently 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.

The Manager has wide experience in managing and administering investment companies and has access to extensive investment management resources.

### 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 following table summarises 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.

	<b>01.01.09 to 31.12.09</b>	<b>25.02.08 to 31.12.08</b>
<b>KPMG Channel Islands Limited</b>		
- Annual audit	£20,000	£10,868
- Auditor's interim review	£8,280	£5,500
- Other services	£5,175	—
<b>Other KPMG affiliates</b>		
- German tax services	£32,758	£43,740

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.

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.

The Company has 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.

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, 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 Board has not appointed a Nomination Committee as recommended by Code provision A.4.1 however the Board as a whole will consider any future Director appointments. The Directors are appointed for a specified term as recommended by Code provision A.7.2 and as required by the Company's Articles of Association (the "Articles") 20.3, one third of the Directors will retire by rotation at each Annual General Meeting of the Company.

On 18 June 2009, the Annual General Meeting of the Company was held. As this was the First Annual General Meeting of the Company since its incorporation, all Directors were required to stand for re-election. Shareholders re-elected Lord Turnbull, John Hallam, Talmay Morgan, Nicholas Moss and Stephen Stonberg as Directors of the Company.

The Board, of which Lord Turnbull 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.

Talmay 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 Talmay Morgan from serving on the Audit Committee. The Board believes that, in light of the current composition of the Audit Committee, Talmay 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 Talmay 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 Talmay Morgan's directorship of BH Macro 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-assessments were discussed extensively at the Board meeting held on 22 September 2009. After noting that the Board would take forward discussion points to increase 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 formally delegated duties and responsibilities. This Committee meets formally at least twice a year for the purpose, amongst others, of considering the appointment, independence and remuneration of the auditor, to discuss and agree with the external auditor the nature and scope of the audit and to keep under review the scope, results and cost effectiveness of the audit. The Audit Committee comprises John Hallam, Talmay Morgan and Nicholas Moss. John Hallam is the Chairman of the Audit Committee.

Appointment to the Audit Committee shall be for a period of 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 evaluated its performance by the completion of self-assessment questionnaires. The results of which have been discussed at a meeting of the Audit Committee.

The Chairman 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.

The Audit Committee 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 Auditor is 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 auditor, 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.

### **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 Nicholas Moss, John Hallam and Lord Turnbull. Nicholas Moss 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 risk report and month-end unaudited NAVs and the manager provides a monthly newsletter. These are published via RNS and are also available on the Company's website, [www.bhglobal.com](http://www.bhglobal.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:

<b>Significant shareholders</b>	<b>Total shares held</b>	<b>% holdings in class</b>
<b>US Dollar shares</b>		
Nortrust Nominees Limited	4,919,140	18.38
Vidacos Nominees Limited	3,458,502	12.92
The Bank of New York (Nominees) Limited	3,362,176	12.56
Euroclear Nominees Limited	2,529,624	9.45
Securities Services (Nominees) Limited	2,252,778	8.42
BBHISL Nominees Limited	1,668,250	6.23
Morstan Nominees Limited	1,112,594	4.16
<b>Euro shares</b>		
HSBC Global Custody Nominee (UK) Limited	900,246	16.70

Chase Nominees Limited	698,825	12.96
Vidacos Nominees Limited	568,201	10.54
The Bank of New York (Nominees) Limited	511,479	9.49
BBHISL Nominees Limited	484,506	8.99
Morstan Nominees Limited	383,281	7.11
Euroclear Nominees Limited	356,273	6.61
Computershare Investor Services PLC	317,158	5.88
Citibank Nominees (Ireland) Limited	316,246	5.86
Security Services (Nominees) Limited	192,537	3.57
HSBC Client Holdings Nominee (UK) Limited	183,077	3.40

#### **Sterling shares**

State Street Nominees Limited	5,512,224	17.52
HSBC Global Custody Nominee (UK) Limited	2,477,322	7.87
BBHISL Nominees Limited	1,674,566	5.32
R C Greig Nominees Limited	1,590,634	5.06
Pershing Nominees Limited	1,569,906	4.99
Quilter Nominees Limited	1,401,777	4.46
Roy Nominees Limited	1,290,065	4.10
Harewood Nominees Limited	1,132,508	3.60
James Capel (Nominees) Limited	1,077,657	3.43
Rathbone Nominees Limited	1,007,217	3.20
Smith & Williamson Nominees Limited	990,233	3.15

Signed on behalf of the Board by:

**Lord Turnbull**  
Chairman

**John Hallam**  
Director

15 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.

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:

**Lord Turnbull**  
Chairman

**John Hallam**  
Director

15 March 2010

Directors' Remuneration Report  
31 December 2009

### **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 have been 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 of the Company. 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 £500,000 per annum. The annual fees have not been increased since the Company's formation, and are £125,000 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:

	<b>01.01.09 to 31.12.09 £</b>	<b>25.02.08 to 31.12.08 £</b>
Lord Turnbull	125,000	105,479
John Hallam	27,500	23,205
Talmay Morgan	25,000	21,096
Nicholas Moss	25,000	21,096
Stephen Stonberg *	–	–
<b>Total</b>	<b>202,500</b>	<b>170,876</b>

\* *Stephen Stonberg has waived his fee*

Signed on behalf of the Board by:

**Lord Turnbull**  
Chairman

**John Hallam**  
Director

15 March 2010

Manager's Report

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

#### **Performance review**

The NAV of the US Dollar shares gained 14.31% for the year ended 31 December 2009; the NAV of the Euro shares and the Sterling shares gained 14.36% and 14.15%, respectively, for the same period.

The NAV performance of each currency class of the Company on a month-by-month basis during 2008 and 2009 is set

out below:

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.16	0.10	0.05	(3.89)	1.13	2.74	0.38	1.55
2009	3.35	1.86	1.16	1.06	2.79	(0.21)	1.07	0.27	1.49	0.54	0.11	0.04	14.31

  

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.28	0.25	0.29	(4.34)	1.15	3.01	0.44	1.93
2009	3.57	1.94	1.13	1.05	2.54	(0.21)	1.11	0.27	1.50	0.50	0.08	0.08	14.36

  

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.40	0.33	0.40	(4.17)	1.25	3.27	0.41	2.76
2009	3.52	1.94	1.03	0.68	2.85	(0.28)	1.05	0.31	1.51	0.58	0.12	0.08	14.15

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

Source: The Company's NAV per share % monthly change calculations are made by Brevan Howard Asset Management LLP.

NAV data is unaudited and net of all fees and expenses payable by the Company.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

#### **Brevan Howard Global Opportunities Master Fund - Allocations and investment performance.**

At 31 December 2009 the allocations of the Master Fund to each of its underlying investments was as follows:

Investment	Allocation (% NAV)
Brevan Howard Master Fund Limited ("BHM")	41.9%
Brevan Howard Asia Master Fund Limited ("BHA")	18.1%
Brevan Howard Equity Strategies Fund Limited ("BHES")**	6.8%
Brevan Howard Emerging Markets Strategies Master Fund Limited ("BHEM")	19.6%
Brevan Howard Strategic Opportunities Feeder Fund Limited ("BHSO")	8.7%
Brevan Howard Credit Catalysts Master Fund Limited ("BHCC")***	2.5%
Cash/Other	2.4%

Source: Manager.

Allocations are subject to change.

The underlying funds performed as follows during 2009:

Investment	Performance*
BHM	16.62%
BHA	6.09%
BHES	5.58%
BHEM	24.06%
BHSO	15.55%
BHCC	4.41%

\* From 1 January 2009 to 31 December 2009. Performance and Attribution are calculated from the sum of the monthly contributions to performance of the investment over the year, which in turn is calculated from the USD currency class performances.

\*\* The Master Fund switched its investment from Brevan Howard Equity Strategies Master Fund Limited to Brevan Howard Equity Strategies Fund Limited on 1 September 2009 however exposure to underlying performance remained unchanged throughout the year.

\*\*\* For the period from 1 November 2009 to 31 December 2009 during which the Master Fund was invested.

The underlying funds' contribution to the performance of the Master Fund in 2009 was as follows:

<b>Investment</b>	<b>Approx attribution*</b>
BHM	44%
BHA	9%
BHES	3%
BHEM	34%
BHSO	9%
BHCC	1%

*Source: Manager.*

*Allocations are subject to change. Past performance is not indicative of future results.*

During 2009 all the Master Fund's investments produced positive contributions to performance. The strongest performer in the portfolio was BHM, contributing approximately 44% to performance of the NAV of the US Dollar class of the Company. It also continues to be the largest holding in the portfolio. BHEM also produced significant positive contributions of 34% to the NAV of the US Dollar class of the Company. BHA, BHES and BHSO delivered 9%, 3% and 9% respectively to the NAV of the US Dollar class of the Company. BHCC made a small contribution to performance, due to the size and timing of the investment in the year.

The Master Fund delivered consistent performance during 2009 with only June returning a slight negative number. This has demonstrated the diversification benefits of the portfolio returning more positive months performance (with the exception of BHCC) than any other Brevan Howard managed fund.

#### **Commentary and outlook**

2009 has been another challenging year for the Company, nevertheless it has once again produced positive NAV returns. The allocation/reallocations made during the course of 2009 have continued to keep the Company well positioned limiting the potential downside whilst maintaining the upside performance. To this end the Manager has introduced BHCC to the portfolio of the Master Fund, a fund that has had significant performance and which exhibits low correlation to all the other funds in the portfolio. This performance and low correlation continue to make it a good candidate for increased investment over the coming months.

The Manager's view is that the environment continues to be well suited for the funds in the Master Fund's portfolio. Although market conditions remain fragile and there is still much uncertainty in the global outlook the Manager believes that the opportunity set for trading remains exceptionally rich.

The Manager appreciates the continued support of shareholders during 2009. In 2010, it will continue to seek further opportunities to strengthen and diversify its access to talent and resources on a global basis to ensure that the funds in the Master Fund's portfolio remain positioned to exploit trading opportunities.

#### **Gunther Thumann**

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

15 March 2010

#### **Independent Auditor's Report to the Members of BH Global Limited**

We have audited the Financial Statements of BH Global 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' Responsibilities.

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

We read the other information accompanying the Financial Statements and consider whether it is consistent with those Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### **Opinion**

In our opinion the Financial Statements:

- give a true and fair view 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

15 March 2010

Audited Statement of Assets and Liabilities  
As at 31 December 2009

	<b>31.12.09</b>	<b>31.12.08</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<hr/>		
<b>Assets</b>		
Investment in the Master Fund (cost 31 December 2009: US\$924,626,069; 31 December 2008: US\$ 1,040,824,700)	971,749	916,807
Amounts due from the Master Fund	–	816
Other debtors	44	39

Cash and bank balances denominated in US Dollars	5,937	133
Cash and bank balances denominated in Euro	2,279	36
Cash and bank balances denominated in Sterling	12,236	62
<b>Total assets</b>	<b>992,245</b>	<b>917,893</b>

#### Liabilities

Management fees payable (note 4)	421	1,144
Accrued expenses and other liabilities	200	26
Directors' fees payable	81	95
Administration fees payable (note 4)	30	104
<b>Total liabilities</b>	<b>732</b>	<b>1,369</b>

<b>Net assets</b>	<b>991,513</b>	<b>916,524</b>
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#### Number of shares in issue (note 5)

US Dollar shares	26,766,139	34,701,301
Euro shares	5,392,188	9,946,467
Sterling shares	31,461,725	28,289,290

#### Net asset value per share (notes 7 and 9)

US Dollar shares	US\$11.61	US\$10.16
Euro shares	€11.66	€10.19
Sterling shares	£11.73	£10.28

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

**Lord Turnbull**  
Chairman

**John Hallam**  
Director

15 March 2010

Audited Statement of Operations  
For the year ended 31 December 2009

	<b>01.01.09 to 31.12.09 US\$ '000</b>	<b>25.02.08 to 31.12.08 US\$ '000</b>
<b>Net investment (loss)/income allocated from the Master Fund</b>		
Interest	20	317
Expenses	(160)	(168)
<b>Net investment (loss)/income allocated from the Master Fund</b>	<b>(140)</b>	<b>149</b>

**Company income**

Interest income	1	108
Foreign exchange gains (note 3)	46,105	–
<b>Total Company income</b>	<b>46,106</b>	<b>108</b>
<b>Company expenses</b>		
Management fees (note 4)	4,833	2,901
Other expenses	1,448	663
Directors' fees	297	317
Administration fees (note 4)	343	186
Foreign exchange losses (note 3)	–	159,129
<b>Total Company expenses</b>	<b>6,921</b>	<b>163,196</b>
<b>Net investment gain/(loss)</b>	<b>39,045</b>	<b>(162,939)</b>
<b>Net realised and unrealised gains and losses on investments allocated from the Master Fund</b>		
Net realised (loss)/gain on investments	(7,806)	25,764
Net unrealised gain/(loss) on investments	177,019	(113,012)
Net realised and unrealised foreign exchange (loss)/gain		
- on hedging	(253)	(43,845)
- on capital (note 3)	(41,412)	165,924
<b>Net realised and unrealised gains and losses on investments allocated from the Master Fund</b>	<b>127,548</b>	<b>34,831</b>
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b>166,593</b>	<b>(128,108)</b>

See accompanying notes to the Financial Statements.

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

	01.01.09 to 31.12.09 US\$ '000	25.02.08 to 31.12.08 US\$ '000
<b>Net increase/(decrease) in net assets resulting from operations</b>		
Net investment gain/(loss)	39,045	(162,939)
Net realised (loss)/gain on investments allocated from the Master Fund	(7,806)	25,764
Net unrealised gain/(loss) on investments allocated from the Master Fund	177,019	(113,012)
Net realised and unrealised foreign exchange (loss)/gain allocated from the Master Fund	(41,665)	122,079
	<b>166,593</b>	<b>(128,108)</b>
<b>Share capital transactions</b>		
Proceeds on issue of shares		
US Dollar shares	–	372,593
Euro shares	–	185,115
Sterling shares	–	497,476

Issue costs		
US Dollar shares	–	(3,726)
Euro shares	–	(1,851)
Sterling shares	–	(4,975)
Purchase of own shares		
US Dollar shares	(41,181)	–
Euro shares	(12,647)	–
Sterling shares	(37,109)	–
Tender offer costs		
US Dollar shares	(264)	–
Euro shares	(95)	–
Sterling shares	(308)	–
	<b>(91,604)</b>	<b>1,044,632</b>
<b>Net increase in net assets</b>	<b>74,989</b>	<b>916,524</b>
<b>Net assets at the beginning of the year/period</b>	<b>916,524</b>	<b>–</b>
<b>Net assets at the end of the year</b>	<b>991,513</b>	<b>916,524</b>

See accompanying notes to the Financial Statements.

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

	01.01.09 to 31.12.09 US\$ '000	25.02.08 to 31.12.08 US\$ '000
<b>Cash flows from operating activities</b>		
Net increase/(decrease) in net assets resulting from operations	166,593	(128,108)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Net investment loss/(income) allocated from the Master Fund	140	(149)
Net realised loss/(gain) on investments allocated from the Master Fund	7,806	(25,764)
Net unrealised (gain)/loss on investments allocated from the Master Fund	(177,019)	113,012
Net realised and unrealised foreign exchange loss/(gain) allocated from the Master Fund	41,665	(122,079)
Purchase of investment in the Master Fund	(50,826)	(1,041,772)
Proceeds from sale of investment in the Master Fund	170,213	–
Foreign exchange (gains)/losses	(46,105)	159,129
Increase in other debtors	(5)	(39)
(Decrease)/increase in management fees payable	(723)	1,144
Increase in accrued expenses and other liabilities	174	26
(Decrease)/increase in Directors' fees payable	(14)	95
(Decrease)/increase in administration fees payable	(74)	104
<b>Net cash provided by/(used in) operating activities</b>	<b>111,825</b>	<b>(1,044,401)</b>



<b>Cash flows from financing activities</b>		
Proceeds on issue of shares	–	1,055,184
Issue costs	–	(10,552)
Purchase of own shares	(90,937)	–
Tender offer costs	(667)	–
<b>Net cash (used in)/provided by financing activities</b>	<b>(91,604)</b>	<b>1,044,632</b>
<b>Change in cash</b>	<b>20,221</b>	<b>231</b>
<b>Cash, beginning of the year/period</b>	<b>231</b>	<b>–</b>
<b>Cash, end of the year</b>	<b>20,452</b>	<b>231</b>
Cash, end of the year		
Cash and bank balances denominated in US Dollars	5,937	133
Cash and bank balances denominated in Euro	2,279	36
Cash and bank balances denominated in Sterling	12,236	62
	<b>20,452</b>	<b>231</b>

See accompanying notes to the Financial Statements.

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

## 1. The Company

BH Global Limited (the “Company”) is a limited liability closed-ended investment company incorporated in Guernsey on 25 February 2008 for an unlimited period, with registration number 48555.

The Company was admitted to a Primary Listing on the Official List of the London Stock Exchange on 29 May 2008. As of 20 October 2008 the Company obtained a 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’s investment objective is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of those expenses of the initial public offering borne by the Company and funds required for its short-term working capital requirements) in the Master Fund.

The Company is organised as a feeder fund and invests substantially all of its investable assets in the ordinary US Dollar, Euro and Sterling denominated Class A shares issued by the Master Fund.

The Master Fund is an open-ended investment company incorporated with limited liability in the Cayman Islands on 3 March 2008 which, as at the date of these Financial Statements, invests in Brevan Howard Master Fund Limited, Brevan Howard Emerging Markets Strategies Master Fund Limited, Brevan Howard Asia Master Fund Limited, Brevan Howard Equity Strategies Fund Limited, Brevan Howard Credit Catalyst Master Fund Limited and Brevan Howard Strategic Opportunities Feeder Fund Limited. As at 31 December 2009, the Master Fund’s investments represented 1.91%, 8.21%, 8.87%, 48.67%, 4.86% and 14.29% respectively of the investee companies’ net asset value.

These investment funds may invest in a wide range of geographical regions, sectors and instruments. Such instruments may include, but are not limited to, debt securities and obligations (which may be below investment grade or unrated), bank loans, listed and unlisted equities, other collective investment schemes (which may be open ended or

closed ended, listed or unlisted, and which may employ leverage), currencies, commodities, futures, options, warrants, swaps, other derivative instruments and any other type of instrument or security. These funds have the ability to take short positions across the majority of these instruments. Subject to the investment restrictions disclosed in the Prospectus and subsequent Directors' resolutions, the allocation of assets of the Master Fund among the Brevan Howard Underlying Funds in which it is permitted to invest is at the discretion of the Manager.

At the date of these Financial Statements, the Company is the only Feeder Fund investing into the Master Fund.

The Company's Financial Statements should be read alongside the Annual Audited Financial Statements of the Master Fund which can be found on the Company's website.

### **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 the Brevan Howard Underlying Funds.

### **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 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 significant accounting policies adopted by the Company:

#### **Valuation of investments**

The Company records its investment in the Class A shares of the Master Fund at fair value. At 31 December 2009 and at 31 December 2008, the Company's US Dollar, Euro and Sterling capital account represents 100%, 100% and 100% respectively of the Master Fund's capital.

#### **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 disclosed in the notes to the Master Fund's Annual Audited Financial Statements which are available on the Company's website, [www.bhglobal.com](http://www.bhglobal.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**

Share issue expenses of US\$10,552,146 were borne by the Company and have been charged against the Share capital account. In accordance with the Placing Agreement dated 28 April 2008, the Manager paid the costs and expenses of, and incidental to, the Offer (including all costs related to the establishment of the Company) (the "Offer Costs") which were in excess of 1% of the gross proceeds of the Offer. The Offer Costs paid by the Manager amounted to US\$26,559,274.

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\$1,044,631,308. 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 up to 2.55 cents (or such lower amount as may result in the reduction in the Offer Costs actually paid by the Manager), being the figure obtained by dividing the Offer Costs by the NAV of the Company at the time of its listing.

In addition, if the Management Agreement were to be terminated for certain grounds either in whole or with respect to a class of shares on or before the seventh anniversary of admission to the London Stock Exchange, being 29 May 2015, any Offer Costs that have not already been repaid to the Manager (or, in the case of termination in respect of a class of shares, the Offer Costs attributable to such class), will be repaid in full to the Manager by the Company. Any repurchases, redemptions or cancellations will be priced to take into account any fractional Offer Cost repayments and therefore ensure that continuing shareholders should not be prejudiced. The Directors consider the likelihood of the Management Agreement terminating and as a consequence the contingent liability described above arising as remote and therefore no provision has been made within these Financial Statements.

The Directors confirm that there are no other contingent liabilities that require disclosure or provision.

### **Foreign exchange**

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollars using exchange rates at the reporting date for the purposes of an aggregated share class Statement of Operations. The currency gain or loss arising from this translation is substantially offset by currency gains or losses allocated from the Master Fund. Transactions denominated in foreign currencies are translated into US Dollar amounts at the date of such transaction.

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

### **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 Share capital account. 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. Where the Company cancels treasury shares, no further adjustment is required to the share capital account of the Company at the time of cancellation. 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 and administration agreements**

### **Management fee**

On 28 April 2008, 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 0.50% (or a pro rata proportion thereof) per month of the closing NAV (before deduction of that month's management fee) as at the last valuation day in each month, payable monthly in arrears. The Master Fund itself is not subject to management fees, however the Master Fund's investments are subject to management fees ranging from 2% to 3% per annum.

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 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. Compensation is not payable if more than 24 months notice of termination is given.

### **Administration fee**

Under the terms of an administration agreement dated 24 April 2008, 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 monthly in arrears. The fee is at a rate of 0.03% of the first US\$1 billion of net assets of the Company and then 0.01% per annum thereafter, subject to a minimum fee of £115,000 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 authorised 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, Euro 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
<b>Number of ordinary shares</b>			
<b>In issue at 1 January 2009</b>	<b>34,701,301</b>	<b>9,946,467</b>	<b>28,289,290</b>
Share conversions	(3,799,500)	(3,604,567)	5,594,722
Purchase of own shares into treasury	(4,135,662)	(949,712)	(2,422,287)
<b>In issue at 31 December 2009</b>	<b>26,766,139</b>	<b>5,392,188</b>	<b>31,461,725</b>

### Number of treasury shares

<b>In issue at 1 January 2009</b>	–	–	–
Shares purchased and held in treasury during the year:			
- Tender offer	1,662,697	464,613	1,472,630
- Other on market purchases	2,472,965	485,099	949,657
Shares cancelled	(1,750,000)	(380,000)	–
<b>In issue at 31 December 2009</b>	<b>2,385,662</b>	<b>569,712</b>	<b>2,422,287</b>
<b>Percentage of class</b>	<b>8.18%</b>	<b>9.56%</b>	<b>7.15%</b>

	US\$ '000	€ '000	£ '000	Company Total US\$ '000
<b>Share capital account*</b>				
<b>In issue at 1 January 2009</b>	<b>343,718</b>	<b>98,381</b>	<b>280,236</b>	<b>1,044,632</b>
Share conversions	(42,114)	(40,637)	63,084	–
Purchase of own shares into treasury	(41,181)	(9,529)	(24,793)	(90,937)
Tender offer costs	(264)	(72)	(208)	(667)
<b>At 31 December 2009</b>	<b>260,159</b>	<b>48,143</b>	<b>318,319</b>	<b>953,028</b>

\* 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

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 one vote, a single Euro ordinary share has 1.57465 votes and a single Sterling ordinary share has 1.97950 votes.

Treasury shares do not have any voting rights.

### **Repurchase of 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 18 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, the Directors are required to convene a shareholders' meeting to consider the 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 18 June 2009 (the "AGM"), the Directors have the power to issue further shares on a non pre-emptive basis for cash in respect of 4,585,681 US Dollar shares, 1,188,481 Euro shares and 4,201,175 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 does not expect to pay dividends to its investors. 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 the 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 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 at the discretion of the Board have been able to convert ordinary shares on the last business day of every month. Each conversion will be based on NAV (note 7) of the share classes 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-percent) 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 share class 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 an annual partial return of capital whereby shareholders would be able to elect to tender some of their shares for repurchase by the Company at a price equivalent to the prevailing net asset value of shares of the relevant class less costs.

As a result of the Extraordinary General Meeting held on 30 March 2009 it was resolved that a Tender Offer of up to 5% would take place on 1 May 2009. As a result of this Tender Offer, 1,662,697 US Dollar shares, 464,613 Euro shares and 1,472,630 Sterling shares were repurchased by the Company at a cost of US\$17,075,067, €4,802,240 and £15,333,024 respectively.

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 which included (prior to 15 October 2009) 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 for 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 28 April 2008.

Following publication of the NAVs for each class of the Company's shares as at 30 May 2009, 30 June 2009 and 31 July 2009, the discount control provisions contained in the Company's Articles were triggered for the Company's Euro, US Dollar and Sterling share classes respectively.

Accordingly, the Company convened class meetings for each of its classes on 15 October 2009 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 class voted against the class closure resolutions.

At the same meetings the Board also proposed amendments to the existing discount management arrangements which were approved by shareholders. 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 period from 1 January 2009 to 31 December 2009 the Company repurchased 2,472,965 US Dollar shares at a cost of US\$24,106,056, 485,099 Euro shares at a cost of €4,727,185 and 949,657 Sterling shares at a cost of £9,459,743.

The total number of treasury shares held in treasury at 31 December 2009 are as disclosed in note 5. Subsequent to that date and prior to the date of these Financial Statements, the Company has cancelled 120,000 Euro treasury shares.

## 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.

	<b>31.12.09</b> <b>US Dollar</b> <b>Shares</b> <b>US\$</b>	<b>31.12.09</b> <b>Euro</b> <b>shares</b> <b>€</b>	<b>31.12.09</b> <b>Sterling</b> <b>shares</b> <b>£</b>	<b>31.12.08</b> <b>US Dollar</b> <b>shares</b> <b>US\$</b>	<b>31.12.08</b> <b>Euro</b> <b>shares</b> <b>€</b>	<b>31.12.08</b> <b>Sterling</b> <b>shares</b> <b>£</b>
<b>Per share operating performance</b>						
<b>Net asset value at beginning of the year/period</b>	<b>10.16</b>	<b>10.19</b>	<b>10.28</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>
<b>Income from investment operations</b>						
Net investment loss*	(0.09)	(0.12)	(0.07)	(0.04)	(0.05)	(0.04)
Net realised and unrealised gain on investment	1.65	2.30	1.34	0.29	0.35	0.41
Other capital items**	(0.11)	(0.71)	0.18	(0.09)	(0.11)	(0.09)
<b>Total return*</b>	<b>1.45</b>	<b>1.47</b>	<b>1.45</b>	<b>0.16</b>	<b>0.19</b>	<b>0.28</b>
<b>Net asset value, end of the year</b>	<b>11.61</b>	<b>11.66</b>	<b>11.73</b>	<b>10.16</b>	<b>10.19</b>	<b>10.28</b>
<b>Total return*</b>	<b>14.31%</b>	<b>14.36%</b>	<b>14.15%</b>	<b>1.55%</b>	<b>1.93%</b>	<b>2.76%</b>

Total return reflects the net return for an investment made at the beginning of the year/period and is calculated as the change in the NAV per ordinary share during the year/period from 1 January 2009 to 31 December 2009 (31 December 2008: 25 February 2008 (date of incorporation) to 31 December 2008). Total return is not annualised. 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
<b>Supplemental data</b>						
Net asset value, end of the year	310,704	62,856	369,030	352,398	101,386	290,690
Average net asset value for the year/period	332,458	88,110	328,159	365,592	114,713	263,432
<b>Ratio to average net assets</b>						
Operating expense						
Company expenses ***	0.71%	0.72%	0.72%	0.37%	0.39%	0.38%
Master Fund expenses****	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
	<b>0.73%</b>	<b>0.74%</b>	<b>0.74%</b>	<b>0.39%</b>	<b>0.41%</b>	<b>0.40%</b>
<b>Net investment loss*</b>	<b>(0.72%)</b>	<b>(0.73%)</b>	<b>(0.70%)</b>	<b>(0.39%)</b>	<b>(0.39%)</b>	<b>(0.39%)</b>

Operating expense and net investment loss are not annualised.

\* **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/period.**

\*\* 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/period as compared to the NAV per share at the beginning of the year/period.

\*\*\* Company expenses are as disclosed in the Audited Statement of Operations.

\*\*\*\* Master Fund expenses are the operating expenses of the Master Fund.

## 10. Subsequent events

Management has evaluated subsequent events up to 15 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.

Management and Administration

### Directors

*Lord Turnbull (Chairman)\**

John Hallam\*

Talmi Morgan

Nicholas Moss\*

Stephen Stonberg

*All Directors are non-executive.*

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

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For the latest information  
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The Annual Audited Report and Financial Statements of BH Global Limited and the Annual Audited Financial Statements of Brevan Howard Global Opportunities Master Fund Limited will shortly be available on BH Global's website [www.bhglobal.com](http://www.bhglobal.com)