

**SNAEFELL ALTERNATIVE
INVESTMENT FUND LIMITED**

**Financial Statements and
Independent Auditors' Report**

December 31, 2008

**SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
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**SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
DIRECTORY**

**Registered Office: Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11
Bermudiana Road, Pembroke HM 08, Bermuda**

Directors

Steve Curtis (resigned December 31, 2007)
David Hunter
Richard Jarvis
Brian Sheppard

Investment Manager

Thomas Miller Investment (Isle of Man) Limited
16/17 Mount Havelock
Douglas
Isle of Man
IM1 2QG

Administrator

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Auditors

Deloitte & Touche
Corner House
Church & Parliament Streets
Hamilton HM 12
Bermuda

Legal Counsel

Bermuda counsel:
Wakefield Quin
Chancery Hall
52 Reid Street
Hamilton HM 12
Bermuda

Company Secretary

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Custodian

Butterfield Trust (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

Listing Sponsor

Bermuda Securities (Bermuda) Limited
65 Front Street
Hamilton HM 12
Bermuda

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company for the year ended December 31, 2008.

Activities, Business Review and Future Prospects

The Company is an exempted company incorporated on July 8, 2002, with limited liability in Bermuda as a mutual fund company. A detailed review of the activities of the Company is set out on pages 5 and 6 of this report.

Results and Dividends

The results for the year are shown in the Income Statement on page 12. The Directors do not recommend the payment of a dividend.

Directors

The Directors of the Company are set out on page 3. All of the Directors were appointed on July 26, 2002.

Statement of Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements. In preparing those financial statements, the Directors:

- Ensure that the financial statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards, as published by the International Accounting Standards Board, subject to any material departures disclosed and explained in the Financial statements;
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the 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 and for managing the Company in accordance with the Prospectus and the Memorandum and Articles of Association. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

On behalf of the Directors

Director

Director

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
INVESTMENT MANAGER'S REPORT

December failed to provide positive closure to a turbulent year. For 2007, investors were subject to two dramatically different six-month periods. The business cycle quickly moved into a pronounced transition from a late expansion phase, which tends to favour equity-related event driven and directional strategies, to a contraction phase whereby slowing growth and tighter credit favours defensive positioning and debt-related opportunities.

In this transition, earmarked by heightened volatility that accompanies risk aversion, trading strategies overtake longer term investing as liquidity and abundant financing are quickly pulled from the markets. As a result, the prominent carry trade has been virtually shut down as cheap and readily available leverage sources dry up. The market is now exhibiting volatility levels consistent with prior periods of elevated risk

The first half of the year saw strong global growth as corporate earnings kept improving while the continuation of easy and free flowing credit supported LBO deal making. The structured finance (CLO and CDO) engine stood ready and willing to absorb practically any corporate or collateralized issue. However, following the cracks in credit first seen in February's sub-prime mortgage collapse, the banks began to choke on June's enormous pipeline of LBO financing upon finally realizing they were beyond their risk and capital tolerances.

The second half of the year clearly evidenced a dramatic decline in investor confidence and market liquidity which led to a severe spike in volatility. M&A activity in both financial sponsor driven (LBOs) and strategic deals became much more questionable and affected investors' appetite for event driven plays.

Going forward, as credit becomes even more expensive, default rates are expected to increase, leading to an increase in distressed opportunities. However, the spike in defaults and rise in distressed opportunities may take some time to fully materialize as global growth and foreign investment (sovereign funds) can provide life support to otherwise unhealthy and potentially defaulting entities.

Global developments clearly pointed to divergences in growth, policies and prospects. During the month of August, when developed markets experienced a deep drawdown, emerging markets continued to perform well, supporting the hope of the new phenomenon – decoupling of the new world economies. Although the changes in the emerging markets economies are pronounced and robust, the size of these economies and their dependency on the product demand from the West will likely put this thesis under severe test in the near future.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
INVESTMENT MANAGER'S REPORT (CONTINUED)

While the U.S. embarked on an aggressive interest rate easing campaign, Europe was still focusing on inflation risks and the ECB continued with its hawkish tone. Furthermore, the emerging economies seemed to be more concerned about overheating than possible slowdowns. Economic numbers have also indicated divergences in growth with an uneven deceleration across global geographical regions. In such an environment, it is hard to anticipate a global coordinated policy response to the crisis outside of short-term liquidity injections. The situation further amplifies divergences in market response and price behaviour and raises the likelihood of trade and political tensions as the global economy moderates. Given market vulnerability, any adverse development can cause significant price changes.

The difficult environment caused by the transition between the economic cycles has presented hedge fund managers with new opportunities – namely it has tested their ability to shift from directional and mostly value oriented investing to a more balanced, trading focused approach, where the ability to identify effective short positions and quickly manoeuvre in the less liquid de-levering environment is essential. The best managers have been able to produce strong performance in this setting and have added value to portfolios. Investors that focus on Fixed Income Trading and Relative Value or Volatility Trading and Arbitrage have capitalized on the opportunity to prove their place in a diversified portfolio, offsetting the pressure of previously productive directional value strategies. Once again, maintaining a robust diversified portfolio of hedge fund managers has proven productive and most importantly has given the Selectinvest funds a “consistent and repeatable” investment result.

Thomas Miller Investment (Isle of Man) Limited
Investment Manager

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Snaefell Alternative Investment Fund Limited

Report on the financial statements

We have audited the accompanying financial statements of Snaefell Alternative Investment Fund Limited (the "Company"), which comprise the balance sheet, including the schedule of investments, as at December 31, 2008, and the income statement, statement of changes in net assets attributable to holders of redeemable participating shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Snaefell Alternative Investment Fund Limited as at December 31, 2008, and the results of its operations, changes in its net assets attributable to holders of redeemable participating shares and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte + Touche

November 9, 2010

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
BALANCE SHEET
December 31, 2008
(expressed in United States dollars)

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 6,812,869	\$ 311,113
Receivable for investments sold	3,997,884	10,004,924
Investments at fair value through profit or loss	35,216,665	48,640,634
Sundry receivables and prepayments	1,875	1,246
	<hr/>	<hr/>
Total Assets	\$ 46,029,293	\$ 58,957,917
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Sundry payables and accrued expenses	\$ 52,477	\$ 148,077
	<hr/>	<hr/>
Liabilities (excluding net assets attributable to holders of redeemable participating shares)	52,477	148,077
	<hr/>	<hr/>
Net assets attributable to holders of redeemable participating shares	\$ 45,976,816	\$ 58,809,840
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APPROVED BY THE BOARD:

Director

Director

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
SCHEDULE OF INVESTMENTS

December 31, 2008

(expressed in United States dollars)

Shares	Investment	Fair Value	% of Net Assets
	Africa Alpha Fund II Ltd Partnership	\$ 561,438	1.22%
29	AQR ARF Global Total Return Offshore Fund Ltd. – Class A 03 07	1,604,726	3.49
1,663	Bay Harbour Partners, Ltd, - Class IV 03 08	1,031,321	2.24
337	Bay Harbour Partners, Ltd, - Class IV 03 08 Side Pocket	36,630	0.08
7,825	Castlerigg International Limited – Class A Series 1	2,003,957	4.36
799	The Drake Global Opportunities Fund, Ltd. – Class C Series 1	573,734	1.25
834	ECF Value Fund International Ltd. – Class A Series 1	1,237,027	2.69
1,587	Force Capital Ltd. - Series 90/2/25	1,907,788	4.15
1,000	Frontpoint Offshore Multi-Strategy Fund Ltd. - Series A.	1,031,107	2.24
1,256	Galleon Diversified Fund, Ltd. – Class A Series 1	1,952,093	4.25
14	Jana Offshore Partners, Ltd. –Class B Series 01 02	21,061	0.05
11,973	Laurus Offshore Fund, Ltd. – Class A	1,816,709	3.95
2,240	Linden International Ltd. – Class A Series 1	2,431,393	5.29
2,000	Longacre International Ltd. – Class A Series 03 08	1,526,472	3.32
27,814	M Kingdon Offshore Ltd. – Class A Series 1	2,634,495	5.73
61,196	Selectinvest ARV II Ltd. - Series M	6,897,289	15.00
3,578	Seneca Capital International, Ltd. – Class 2E	1,330,788	2.89
1,445	Seneca Capital International, Ltd. – Class 3B	38,314	0.08
247	Sivik Global Healthcare Offshore – Class A Sub Class 1 Series 01-01	293,606	0.64
1,576	Suttonbrook Offshore Partners Ltd. – Class C - Series 1	2,094,423	4.56
46,378	York Credit Opportunities Unit Trust – Class B - Series 1	1,596,810	3.47
579	York Investment Limited – Class D Series 1	2,595,484	5.65
	Total Investments at fair value	<u>\$ 35,216,665</u>	<u>76.60%</u>

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
SCHEDULE OF INVESTMENTS

December 31, 2007

(expressed in United States dollars)

Shares	Investment	Fair Value	% of Net Assets
29	AQR ARF Global Total Return Offshore Fund Ltd. – Class A 03 07	\$ 2,814,273	4.79%
1,476	The Drake Global Opportunities Fund, Ltd. – Class C Series 1	1,567,378	2.67
8,696	Castlerigg International Limited – Class A Series 1	3,303,592	5.62
834	ECF Value Fund International Ltd. – Class A Series 1	2,026,994	3.45
1,587	Force Capital Ltd. - Series 90/2/25	2,142,570	3.64
1,000	Frontpoint Offshore Multi-Strategy Fund Ltd. - Series A.	1,200,540	2.04
1,256	Galleon Diversified Fund, Ltd. – Class A Series 1	2,358,247	4.01
1,000	Great Oaks Strategic Investment Partners Offshore, Ltd. - Class A Series 1	800,640	1.36
1,350	Grey K Offshore Fund, Ltd. – Class A Series 1	2,226,997	3.79
738	Jana Offshore Partners, Ltd. – Series 1	2,028,600	3.45
11,973	Laurus Offshore Fund, Ltd. – Class A	2,210,391	3.76
2,240	Linden International Ltd. – Class A Series 1	3,134,316	5.33
3,713	Metropolitan Capital Advisors International Limited – Class A Series 3	981,104	1.67
27,814	M Kingdon Offshore Ltd. – Class A Series 1	3,435,903	5.84
61,196	Selectinvest ARV II Ltd. - Series M	8,322,056	14.15
3,581	Seneca Capital International, Ltd. – Class 2E	2,022,634	3.44
1,445	Seneca Capital International, Ltd. – Class 3B	143,062	0.24
350	Sivik Global Healthcare Offshore – Series 07-01	408,965	0.70
1,576	Suttonbrook Offshore Partners Ltd. – Class C - Series 1	2,049,362	3.48
46,378	York Credit Opportunities Unit Trust – Class B - Series 1	1,878,758	3.19
579	York Investment Limited – Class D Series 1	3,584,251	6.09
	Total Investments at fair value	<u>\$ 48,640,634</u>	<u>82.71%</u>

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
INCOME STATEMENT

for the year ended December 31, 2008
(expressed in United States dollars)

	2008	2007
INCOME		
Interest income	\$ 79,057	\$ 9,077
Net realized (loss) gain on investments	(1,953,449)	4,899,936
Net realized loss on foreign exchange	(4,925)	(6,877)
Net change in unrealized loss on investments	(10,867,409)	(1,194,251)
	<hr/>	<hr/>
Total (loss) income	(12,746,726)	3,707,885
	<hr/>	<hr/>
EXPENSES		
Investment management fees (recovery)	(49,049)	508,353
Custody and administration fees	99,114	90,162
Audit fees	30,025	22,910
Directors' fees	-	12,276
Other expenses	6,208	19,360
	<hr/>	<hr/>
Total expenses	86,298	653,061
	<hr/>	<hr/>
Net (decrease) increase in net assets attributable to holders of redeemable participating shares from operations	\$ (12,833,024)	\$ 3,054,824
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF
REDEEMABLE PARTICIPATING SHARES

for the year ended December 31, 2008

(expressed in United States dollars)

	2008	2007
Net assets attributable to holders of redeemable participating shares at beginning of year	\$ 58,809,840	\$ 54,962,320
Redeemable participating shares issued	-	16,200,000
Redemption of redeemable participating shares	-	(15,407,304)
Net increase from share transactions	-	792,696
Net (decrease) increase in net assets attributable to holders of redeemable participating shares from operations	(12,833,024)	3,054,824
Net assets attributable to holders of redeemable participating shares at end of year	\$ 45,976,816	\$ 58,809,840

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
STATEMENT OF CASH FLOWS
for the year ended December 31, 2008
(expressed in United States dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (decrease) increase in net assets attributable to holders of redeemable participating shares from operations	\$ (12,833,024)	\$ 3,054,824
Adjustments to reconcile net (decrease) increase in net assets attributable to holders of redeemable participating shares from operations to net cash provided by (used in) operating activities		
Net realized loss (gain) on investments	1,953,449	(4,899,936)
Net change in unrealized loss on investments	10,867,409	1,194,251
Cost of investments purchased	(16,944,584)	(25,994,503)
Proceeds from investments sold	17,547,695	10,144,503
Change in sundry receivables and prepayments	(629)	7,679
Change in other assets	-	647,129
Change in receivable for investments sold	6,007,040	(504,924)
Change in sundry payables and accrued expenses	(95,600)	118,600
	6,501,756	(16,232,377)
Cash flows from financing activities		
Proceeds on the issue of redeemable participating shares, being net cash provided by financing activities	-	10,000,000
	-	10,000,000
Net decrease in cash and cash equivalents	6,501,756	(6,232,377)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	311,113	6,543,490
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,812,869	\$ 311,113
 SUPPLEMENTAL NON CASH ACTIVITY		
Redemptions of redeemable participating shares paid in shares of underlying investments	\$ -	\$ 15,407,304

See accompanying notes to the financial statements

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

1. GENERAL

Snaefell Alternative Investment Fund Limited (the “Company”) was incorporated in Bermuda on July 8, 2002, with limited liability and unlimited duration under the provisions of the Companies Act 1981 of Bermuda. The investment objective of the Company is to achieve annual returns of between 10% - 12% with low volatility. The Company will invest in a limited number of underlying collective investment schemes (the “Underlying Funds”).

The Company is managed by Thomas Miller Investment (Isle of Man) Limited (the “Investment Manager”), a Bermuda exempted company, as appointed by the Directors. The Investment Manager is responsible, subject to the policies and controls of the Board of Directors, for the investment of the Company’s assets.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements are expressed in United States dollars, which reflects the Company’s primary activity of investing in Underlying Funds denominated in United States dollars and is the Company’s functional and presentation currency. The financial statements have been prepared under the historical-cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

Valuation of investments

Investments in the Underlying Funds are valued at fair value as determined by the Investment Manager, with the change in this value included in net change in unrealized gain or loss on investments in the income statement. In determining fair value, the Investment Manager utilizes the net asset valuations of the Underlying Funds which are drawn from their most recent net asset value provided by the relevant fund administrator which value securities and other financial instruments at fair value.

However, Underlying Funds may invest in non-marketable securities, such as non publicly traded securities, or investments in limited partnerships whose value is determined in good faith by the investment advisor of those funds. Appreciation or depreciation of investments in the Underlying Funds is net of all fees paid to their investment managers.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Participating shares

International Accounting Standard 32 Financial Instruments: Presentation ("IAS 32") requires entities that issue financial instruments to classify such instruments as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions contained within IAS 32 of a financial liability and equity instrument. In this regard, IAS 32 requires that financial instruments that give the holder the right to put the instrument back to the issuer for cash or another financial asset be classified as a liability of the issuer. The shares issued by the Company provide the shareholders with the right to redeem their shares for cash equal to their proportionate share of the net asset value of the Company. Within the context of IAS 32, the existence of the option for the shareholders to put the shares back to the Company in exchange for cash requires the Company to classify the shares as liabilities.

The liability to shareholders is presented on the balance sheet as net assets attributable to holders of redeemable participating shares and is determined based on the residual assets of the Company after deducting the Company's other liabilities.

As the shares are classified as liabilities, distributions paid to shareholders are recognized by the Company as expenses rather than a distribution of equity.

Cash and cash equivalents

Cash and cash equivalents include amounts held at bank and money market funds with daily liquidity.

Gains and losses

Investment transactions are recorded on a trade date basis. Realized gains or losses on investments are calculated on an average cost basis.

Income

Income earned is accounted for on an accruals basis and is shown gross of irrecoverable withholding taxes where applicable.

Foreign currencies

Assets and liabilities in foreign currencies are translated into United States dollars, the reporting currency, at year end exchange rates. Foreign currency gains and losses are included in the Income Statement. Transactions in foreign currencies which occurred during the year are translated into United States dollars at the rates prevailing on the transaction date.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation

At the present time, no income, profit or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by the Company.

The Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until March 28, 2016 be applicable to the Company or to any of its operations.

New and revised accounting pronouncements

International Accounting Standards (“IAS”) 1 (revised), ‘Presentation of financial statements’ (“IAS 1 (revised)”) - The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in net assets attributable to holders of redeemable shares. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Company intends to apply IAS 1 (revised) from January 1, 2009, and will elect to present solely a statement of comprehensive income. The adoption of this revised standard is expected to not result in a significant change to the presentation of the Company’s performance statement, as the Company expects that it will have no elements of other comprehensive income.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

3. FEES AND EXPENSES

Investment Management fees

On April 4, 2008, the Investment Management Fee structure was amended to have the management fee charged by the Investment Manager directly to the shareholders. This change has resulted in a recovery of Investment Management Fee of \$49,049 for the year ended December 31, 2008 compared to a charge of \$508,353 in 2007. The recovery is related to fees initially accrued by the Company which were not finally charged by the Investment Manager. The Investment Manager has decided not to charge any incentive fee during the year ended December 31, 2008 and 2007.

Custody and Administration fees

The Company terminated the service of HSBC Securities Services (Ireland) Limited as administrator with effect from March 31, 2007 and appointed Butterfield Fund Services (Bermuda) Limited as its administrator (the "Administrator") which is currently known as Butterfield Fulcrum Group (Bermuda) Limited. Butterfield Trust (Bermuda) Limited (the "Custodian") is responsible for the custody of the Company's investments. The Custodian and Administrator are entitled to receive fees from the Company in accordance with specific agreements. The fees, which are accrued and are payable monthly in arrears, are based on the net asset value of the Company. In addition, the Custodian and Administrator are entitled to receive reasonable out of pocket expenses and the Custodian charges a custody transaction fee. Custody and administration fees for the year ended December 31, 2008 were \$99,114 (2007: \$90,162).

Directors' fees

Directors are entitled to remuneration for their services. The Directors may also be reimbursed, inter alia, for traveling, hotel and other expenses properly incurred by them in attending meetings of the Directors or in connection with the business of the Company. Any director who devotes special attention to the business of the Company may be paid such extra remuneration as the Directors may determine. The fees for the year ended December 31, 2008 were \$Nil (2007: \$12,276).

4. SHARE CAPITAL

A new series of redeemable shares may be issued on each dealing day other than a dealing day which occurs on the first business day of a calendar year. Redeemable shares are issued in a series to ensure the equitable apportionment of incentive fees payable to the Investment Manager. The minimum initial subscription for shares by an investor is \$100,000. Generally, shares may be redeemed on each first business day of each month with 30 calendar days prior written notice.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

4. SHARE CAPITAL (cont'd)

At each financial year end of the Company, each series of shares other than the initial series will be consolidated into the initial series unless, if at the financial year end either the Net Asset Value of such series is below its prior high Net Asset Value or the Net Asset value of the initial series is below its prior high Net Asset Value.

	2008	2007
	Number of shares	Number of shares
The Company has the following authorized share capital:		
100 Manager shares at US\$1.00 par value	100	100
990,000 non-voting participating shares at US\$0.01 par value	9,900	9,900
	10,000	10,000
	10,000	10,000

Movement in share capital during the year was as follows:

	2008	2007
	Number of shares	Number of shares
Balance at January 1	46,664	42,087
Share conversion	(3,980)	-
Issue of shares	-	16,200
Redemption of shares	-	(11,623)
	42,684	46,664
	42,684	46,664

5. COMPARATIVE NET ASSET VALUE

	Net Asset Value Total	Shares in Issue	Net Asset Value per share
As at December 31, 2008			
Initial Series	\$ 45,976,816	42,684	\$ 1,077.14
As at December 31, 2007			
Initial Series	\$ 41,972,676	30,464	\$ 1,377.79
Series 1 2007	\$ 6,541,194	6,200	\$ 1,055.03
Series 2 2007	\$ 10,295,970	10,000	\$ 1,029.60

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

6. RISK MANAGEMENT

The Company maintains positions in a variety of non-derivative financial instruments as dictated by its investment management strategy. The Company's investment portfolio comprises investments that it intends to hold for an indefinite period of time.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Market risk

The Company's portfolio is subject to normal market fluctuations and the risk inherent in all investments and there can be no assurance that appreciation will occur. The Company invests in other Underlying Funds and as such is also indirectly exposed to any risks inherent in those Underlying Funds.

Market risk represents the potential loss that can be caused by a change in the market value of a financial instrument. The Company's exposure to market risk is determined by a number of factors which may be affected by the investment strategies employed by the Underlying Funds. Market risk includes currency risk, interest rate risk and price risk.

Changes in currency exchange rates relative to the United States dollar will affect the United States dollar value of the Company's and Underlying Funds' net assets denominated in that currency and thereby impact upon the Company's total return on such assets and investments.

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. The Company is exposed to price risk arising from its investments in Underlying Funds. However, the trading strategy of the Company means that there is no direct relationship between any established market indices, interest rates or foreign exchange rates and the expected performance of the Company.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company may be exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company is exposed to interest rate risk through its cash and cash equivalents.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

6. RISK MANAGEMENT AND ASSOCIATED RISKS (cont'd)

As the majority of the financial instruments are carried at fair value with fair value changes recognised in the statement of income, all changes in market conditions will directly affect the income statement.

At December 31, 2008, if market prices of the Underlying Funds had been 5% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been \$1,760,833 (2007: \$2,432,032) higher.

If market prices of the Underlying Funds had been 5% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been \$1,760,833 (2007: \$2,432,032) lower.

Liquidity risk

Investments in Underlying Funds provide limited liquidity since shares are only freely transferable between Qualified Investors and generally share redemption is limited. Additionally, these investments in other investment funds may not be readily realizable due to lock-up periods; portions of assets being held in sidepockets; extended withdrawal, notice or settlement periods; or in extraordinary cases periods in which redemptions are suspended due to adverse market conditions. There can be no assurance that the Company will have sufficient cash to satisfy redemption requests, or that it will be able to liquidate investments at the time of such redemption requests at favourable prices.

Off-balance sheet risk

Off-balance sheet risk refers to situations where the maximum potential loss on a particular investment is greater than the value of the asset or liability reflected in the statements of assets and liabilities. The risk to the Company for its investments in investment funds is limited to the amount of the Company's related investment in the underlying fund.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

6. RISK MANAGEMENT AND ASSOCIATED RISKS (cont'd)

Liquidity risk (cont'd)

The Company offering memorandum provides for the monthly creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

Shares of the Company are only redeemable on the terms and procedures set out in Note 4.

Residual contractual maturities of financial liabilities

	Less than 1 month	1-3 months	3 months -1 year	Non- interest bearing	Total
At December 31, 2008					
<i>Financial liabilities:</i>					
Sundry payables and accrued expenses	\$ 52,477	\$ -	\$ -	\$ -	\$ 52,477
Net assets attributable to holders of redeemable shares	-	45,976,816	-	-	45,976,816
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 52,477</u>	<u>\$45,976,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,029,293</u>

The previous table shows the contractual, undiscounted cash flows of the Company financial liabilities.

The Company has committed to contribute capital of \$1,250,000 to Africa Alpha Fund II Ltd Partnership, an Underlying Fund. At December 31, 2008, the Company had a remaining capital commitment of \$625,000.

Credit risk

Credit risk of any entity doing business with the Company is systematically analysed. Aspects of a qualitative nature, such as strategic orientation, management quality, business sector, areas of specialisation, efficiency, and market share are added to a comprehensive financial analysis, focusing on cash flow, asset quality, indebtedness, interest coverage and working capital. Credit limits for each of the Company's counterparties are established by the Directors and reviewed regularly. The measurement and assessment of the Fund total exposure to credit risk covers all financial instruments involving any counterparty risk, considering the total amount of guarantees given and derivative operations.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

6. RISK MANAGEMENT AND ASSOCIATED RISKS (cont'd)

Credit risk (cont'd)

At December 31, 2008, the following financial assets were exposed to credit risk: cash at bank, investments at fair value through profit or loss and receivable for investments sold.

The Company is exposed to credit risk related to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the counterparties. The Company monitors the credit rating and financial positions of the counterparties to further mitigate this risk.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

Substantially all of the cash held by the Company is held by The Bank of N.T Butterfield & Son Limited (the "Bank"). Bankruptcy or insolvency of the Bank may cause the Company's rights with respect to the cash held by the Bank to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the Bank.

The Underlying Funds' managers analyse credit concentration based on the counterparty, industry and geographical location of the financial assets that they hold.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at December 31, 2008. For individual investments that exceed five percent of the net assets attributable to the holders of redeemable shares either at December 31, 2008 see page 10.

Fair value information

Many of the Company's financial instruments are carried at fair value on the balance sheet. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and cash equivalents, and receivable for investments sold, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The major method and assumptions used in estimating the fair values of financial instruments were disclosed in note 2.

SNAEFELL ALTERNATIVE INVESTMENT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

(expressed in United States dollars)

7. SUNDRY PAYABLES AND ACCRUED EXPENSES

	2008	2007
Audit fees	\$ 39,800	\$ 30,800
Administration fees	11,877	18,278
Investment management fees	-	98,199
Other expenses	800	800
	<hr/>	<hr/>
	\$ 52,477	\$ 148,077
	<hr/>	<hr/>

8. DISTRIBUTIONS

It is the intention of the Board not to make distributions of net income by way of dividends.

9. CASH AND CASH EQUIVALENTS

All cash balances are held with The Bank of N.T. Butterfield & Son Ltd. Cash at bank also includes investments in Butterfield Money Market Fund Ltd and TMI Liquidity Fund PLC.

The Company and TMI Liquidity Fund PLC are related through common Investment Manager and one director. The Company has \$6,750,690 invested in TMI Liquidity Fund PLC as of December 31, 2008.

10. RELATED PARTY TRANSACTIONS

No Director has any interest in the shares of the Company. Brian Sheppard is Director of both the Company and the Investment Manager. David Hunter is a Director of Thomas Miller (Bermuda) Limited and Richard Jarvis is a Director of Thomas Miller Investment Limited, both companies being in the same group of companies as the Investment Manager.

11. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Directors on November 9, 2010.