OCTANE LIQUID FUND LTD

Financial Statements
for the year ended 31 December 2009

Octane Liquid Fund Ltd

Financial Statements
for the year ended 31 December 2009

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Octane Liquid Fund Ltd

Fund Directory
as at 31 December 2009

Board of Directors

Mustafa N. Zaidi
Dr. Gerald Gonzenbach (until 23 November 2009)
Roland K. Staub
Christopher S. Mc Kenzie
Nicolas Salloum (from 24 November 2009)

Independent Auditor

Ernst & Young S.A.
7, Parc d'Activité Syrdall
L-5365 Munsbach
Grand Duchy of Luxembourg

Registered Agent/Office

Equity Trust (BVI) Limited
Palm Grove House
P.O. Box 438
Road Town, Tortola
British Virgin Islands

Investment Manager

Octane Management Limited
Palm Grove House
P.O. Box 438
Road Town, Tortola
British Virgin Islands

Legal Advisors

Maples & Calder
P.O Box 173
Kingston Chamber
Road Town, Tortola
British Virgin Islands

Banker & Custodian

HSBC Securities Services
(Luxembourg) S.A.
P.O. Box 413
16, Boulevard D'Avranches
L-2014 Luxembourg
Grand Duchy of Luxembourg

Administrator, Registrar & Transfer Agent

Custom House Fund Services (Luxembourg) SA
Unico Building, 1st Floor
13, Rue Edward Steichen
L-2540 Luxembourg
Grand Duchy of Luxembourg

Note: The Fund, which is incorporated under the laws of the British Virgin Islands, is not subject to supervision by the "Commission de Surveillance du Secteur Financier" in Luxembourg.

Directors' Report
for the year ended 31 December 2009

The Directors present the annual report of Octane Liquid Fund Ltd for the year ended 31 December 2009.

Activities

Octane Liquid Fund Ltd (the "Fund") is an open-ended investment company incorporated in the British Virgin Islands on 14 February 2003 (Registration Number: 533729) as a company with limited liability, under the provisions of the British Virgin Islands International Business Companies Act (CAP 291).

The Fund has been established as a "fund of funds" structure and invests primarily in other funds managed by other investment fund managers.

Results

The net assets attributable to Participating Shareholders at 31 December 2009 amount to US$ 2,632,442 (2008: US$ 44,238,252). The Net Asset Value (NAV) per share amounts are noted in Note 9.

The results for the year are set out in the Statement of Comprehensive Income on page 8. The net increase in net assets as a result of operations for the year ended 31 December 2009 amounts to US$ 1,637,721 (2008: decrease US$ 11,723,140).

By order of the Board of Directors,

Nicolas Salloum	Mr. Roland K. Staub
Director	*Director*

15 July 2010

REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of
Octane Liquid Fund Ltd
Palm Grove House
P.O. Box 438
Road Town, Tortola
British Virgin Islands

We have audited the accompanying financial statements of Octane Liquid Fund Ltd (the "Fund"), which comprise the Statement of Financial Position as at 31 December 2009, the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Participating Shareholders and the Statement of Cash Flows for the year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the financial statements

The Board of Directors 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.

Responsibility of the "réviseur d'entreprises agréé"

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 as a published by the International Federation of Accountants. 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.

REPORT OF THE INDEPENDENT AUDITOR (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises", 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 "réviseur d'entreprises" 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

Basis for Qualified Opinion

The financial statements as of 31 December 2009 include investments in underlying fund which are investing in hedge funds and exposed to 'side pockets'. The values of these side pockets have been estimated by the Board of Directors of the Fund in the absence of readily ascertainable market value. In particular, the financial statements include indirect investments for an amount of USD 689,490 (26.19 % of the Fund's Net Asset Value). The valuation policy adopted by the Board of Directors for such investments is disclosed in note 2b. We have not been able to conclude that the valuation of the assets in the 'side pockets' as of 31 December 2009 corresponds to their fair value as of that date. As a result, we are not able and do not opine on the valuation of these investments.

Qualified Opinion

In our opinion, except for the investments in underlying hedge funds mentioned above, the financial statements give a true and fair view of the financial position of Octane Liquid Fund Ltd as of 31 December 2009, and of its financial performance and its cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards.

ERNST & YOUNG S.A.
Luxembourg
Cabinet de révision agréé

Ernst & Young S.A.

15 July 2010

Octane Liquid Fund Ltd

Statement of Financial Position
as at 31 December 2009
(Expressed in US$)

ASSETS	Notes	31.12.2009	31.12.2008
Cash and cash equivalents	4	23,927,103	-
Financial assets (at fair value through profit or loss)	5	3,484,974	44,247,672
Fee rebates receivable	10	102,560	170,707
Receivable on sale of financial assets	6	18,472,114	-
Financial assets prepaid		-	3,000,000
Other assets		-	10,000
TOTAL ASSETS		**45,986,751**	**47,428,379**
LIABILITIES			
Bank overdraft	4	-	(2,996,386)
Creditors and accrued charges	8	(130,648)	(193,641)
Provision for liquidation		(30,000)	-
Redemptions payable	7	(43,193,561)	-
TOTAL LIABILITIES		**(43,354,209)**	**(3,190,027)**
NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS	3	**2,632,442**	**44,238,252**
EQUITY			
Management shares	3	100	100
TOTAL NET ASSETS		**2,632,542**	**44,238,352**

The accompanying notes form an integral part of these financial statements.

Octane Liquid Fund Ltd

Statement of Comprehensive Income
for the year ended 31 December 2009
(Expressed in US$)

INCOME	**Notes**	**Year ended 31.12.2009**	**Year ended 31.12.2008**
Net realised (loss)/gain on:			
- financial assets (at fair value through profit or loss)		(5,087,001)	1,480,408
- foreign currency		(2,542)	-
Net decrease/increase in appreciation /(depreciation) on:			
- financial assets (at fair value through profit or loss)		6,810,153	(13,335,957)
Fee rebates	10	635,790	1,004,223
Interest income		-	8,905
TOTAL INCOME /(LOSS)		**2,356,400**	**(10,842,421)**
EXPENSES			
Management fees	10	(519,607)	(654,350)
Directors' fees	14	(50,000)	(30,000)
Administration fees	11	(46,623)	(54,724)
Liquidation fees		(30,000)	-
Audit fees		(23,072)	(19,880)
Custodian fees		(22,159)	(25,958)
Legal and professional fees		(11,013)	(21,576)
TOTAL EXPENSES		**(702,474)**	**(806,488)**
FINANCE COSTS			
Interest on bank account		(16,205)	(74,231)
TOTAL FINANCE COSTS		**(16,205)**	**(74,231)**
INCREASE/ (DECREASE) IN NET ASSETSS AS A RESULT OF OPERATIONS		**1,637,721**	**(11,723,140)**

Octane Liquid Fund Ltd

Statement of Changes in Net Assets Attributable to Participating Shareholders
for the year ended 31 December 2009
(Expressed in US$)

	Year ended 31.12.2009	Year ended 31.12.2008
Balance at the beginning of the year	**44,238,252**	**57,646,790**
Net increase /(decrease) in net assets as a result of operations	1,637,721	(11,723,140)
Redemption of participating shares during the year	(43,243,531)	(1,685,398)
Changes in net assets attributable to Participating Shareholders during the year	**(41,605,810)**	**(13,408,538)**
Balance at the end of the year	**2,632,442**	**44,238,252**

Statement of Changes in Participating Shares
for the year ended 31 December 2009

	Notes	Year ended 31.12.2009	Year ended 31.12.2008
Class A			
Number of Participating Shares in issue at the beginning of the year		**56,992.255**	**58,533.715**
Shares redeemed		(53,775.505)	(1,541.460)
Number of Participating Shares in issue at the end of the year	**9**	**3,216.750**	**56,992.255**

Octane Liquid Fund Ltd

Statement of Cash Flows
for the year ended 31 December 2009
(Expressed in US$)

Cash flows from Operating Activities	**Note**	**Year ended 31.12.2009**	**Year ended 31.12.2008**
Net increase/(decrease) in net assets as a result of operations		**1,637,721**	**(11,723,140)**
Adjustments for:			
Net unrealised (appreciation)/depreciation on:			
- financial assets (at fair value through profit or loss)		(6,810,153)	13,335,957
Net realised loss/(gain) on:			
- financial assets (at fair value through profit or loss)		5,087,001	(1,480,408)
Decrease in fee rebates receivable		68,147	129,382
Decrease/(increase) in other assets		10,000	(8,405)
Decrease in creditors and accrued charges		(32,993)	(31,794)
Purchases of financial assets		(29,878,023)	(23,000,000)
Sales of financial assets		56,891,759	20,870,538
Net cash from/(used in) operating activities		**26,973,459**	**(1,907,870)**
Cash flows used in financing activities			
Payments on redemptions of shares		(49,970)	(1,653,356)
Net cash used in financing activities		**(49,970)**	**(1,653,356)**
Net increase/(decrease) in cash and cash equivalents		**26,923,489**	**(3,561,226)**
Cash and cash equivalents at the beginning of the year		(2,996,386)	564,840
Cash and cash equivalents at the end of the year	4	**23,927,103**	**(2,996,386)**

Supplemental disclosure of cash flow information:

Bank interest received during the year amounts to US$ nil (2008: US$ 10,500)
Bank interest paid during the year amounts to US$ 16,205 (2008: US$ 72,027)

The accompanying notes form an integral part of these financial statements.

1. General Information

Octane Liquid Fund Ltd (the "Fund" or the "Company") is an open ended investment company incorporated in the British Virgin Islands on 14 February 2003 (Registration Number: 533729), as a company with limited liability, under the provisions of the British Virgin Islands International Business Companies Act (CAP 291).

The investment objective of the Fund is to seek long term capital appreciation by investing the Fund's assets primarily among the Octane Funds which seek diversified investment opportunities primarily in the global equity, debt, commodity or currency markets. These are classes of investment to which a high degree of risk.

The Fund has no employees.

The financial statements of Octane Liquid Fund Ltd for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 15 July 2010.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on a historical costs basis, except for financial assets and liabilities held at fair value through profit or loss, that have been measured at fair value.

The financial statements are presented in US Dollars (US$), the Fund's functional currency, which reflects the Fund's primary currency for investment purposes.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") and in conformity with the laws of the British Virgin Islands.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

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2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Fund has adopted the following standards and amendments as of 1 January 2009:

- IAS 1 (Revised 2007) Presentation of Financial Statements
- Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The principal effects of these changes are as follows:

IAS 1 (Revised 2007) *Presentation of Financial Statements*

The standard replaces IAS 1 *Presentation of Financial Statements* (revised in 2003) as amended in 2005. The revised IAS 1 *Presentation of Financial Statements* was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009.

The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Fund has no instruments classified as equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Fund chose to present one single statement.

Adoption of the revised standard did not have a material effect on the financial performance or position of the Fund as the Fund has no instruments classified as equity and therefore, has neither ‘profit or loss’ nor ‘total comprehensive income’ as defined by the revised standard.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments.*

The amendments to IFRS 7 were issued in March 2009 and become effective for annual periods beginning on or after 1 January 2009.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The amendments to IFRS 7 require fair value measurements to be disclosed by the source of inputs, using a three-level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In addition, the amendments revise the specified minimum liquidity risk disclosures including: the contractual maturity of non derivative and derivative financial liabilities, and a description of how this is managed.

In the first year of application, comparative information is not required.

The following standards, amendments and interpretations are effective for 2009 but had not impact in the financial position or performance of the fund:

Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.*

Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and became effective for annual periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Improvements to IFRSs

In 2009 the IASB has issued a second omnibus of amendments to its standards and interpretations. The following amendments are not expected to have any impact on the accounting policies, financial position or performance of the Fund:

- IFRS 2 Share-based Payment: Scope of IFRS 2 and revised IFRS 3,
- IFRS 8 Operating Segments: Disclosure of information about segment assets,
- IFRS 9 Financial Instruments: Classification and measurement of financial assets,
- IAS 1 Presentation of Financial Statements: Current/non-current classification of convertible instruments,
- IAS 7 Statement of Cash Flows: Classification of expenditures on unrecognised assets,
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items,
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Cash Flow hedge accounting.

(b) Significant accounting judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the Board of Directors to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Board of Directors believes that the estimates utilised in preparing its financial statements are appropriate. Actual results could differ from these estimates, in particular the estimates used for the valuation of financial assets as detailed in Note 2.(c).

Going Concern

The Fund has been negatively impacted by the recent turmoil on the financial markets, which resulted in significant redemption requests. On 31 December 2009 most of the Fund's financial assets consist in Funds which are investing in illiquid underlying hedge funds. Consequently the Fund's Board of Directors is currently managing the Fund with the view of its future liquidation. Therefore, the financial statements have been prepared on a liquidation basis.

Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Change sin assumptions about these factors could affect the reported fair value of financial instruments

2. Summary of significant accounting policies (continued)

(b) Significant accounting judgments and estimates

Functional currency

The determination of the functional currency of the Fund is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected.
The Fund's functional and presentation currency is the US Dollars, which is the currency in which it operates. The Fund's performance is evaluated and its liquidity is managed in US Dollars.
Therefore, the US Dollars is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations on foreign withholding tax. Given the wide range of international investments differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expenses already recorded. The Fund may establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invest. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. There were no such provisions made during 2009 and 2008.

(c) Financial assets or financial liabilities (at fair value through profit or loss)

(i) Classification

Financial assets or financial liabilities are designated as at fair value through profit or loss upon initial recognition. These include equity securities, debt instruments and investments in hedge funds that are held for the purpose of generating long-term capital appreciation. These financial assets or financial liabilities are designated on the basis that they are part of a group of financial assets or financial liabilities which are managed and have their performance evaluated on a fair basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document. The financial information about these financial assets or financial liabilities is provided internally on that basis to the Investment Manager and to the Board of Directors.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.
Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the investments.

2. Summary of significant accounting policies (continued)

(c) Financial assets or financial liabilities (at fair value through profit or loss)

(iii) Derecognition

Financial assets are derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either

(a) the Fund has transferred substantially all the risks and rewards of the asset, or
(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(iv) Initial measurement

Financial assets or financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

(v) Subsequent measurement

After initial measurement, the Fund measures financial assets or financial liabilities which are classified as at fair value through profit or loss. Subsequent changes in the fair value of those financial instruments are recorded in "Net increase/decrease in unrealised appreciation/(depreciation) on financial assets (at fair value through profit or loss)" in the Statement of Comprehensive Income. Interest earned and dividend revenue elements of such instruments, if any, are recorded separately in 'Interest income' and 'Dividend income' respectively.

2. Summary of significant accounting policies (continued)

(c) Financial assets or financial liabilities (at fair value through profit or loss) (continued)

(vi) Determination of fair value

Fair value is the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The valuation of the Fund's investments in other investment funds is determined by the managers or administrators of those funds, normally based on unaudited interim valuations. Such valuations may be subject to adjustment (upward or downward) upon audit or at other times. Such funds are likely to have different valuation dates to those of the Fund and such valuation dates may be less frequent than those of the Fund. Accordingly, the net asset value of the Fund may itself be subject to subsequent adjustment by reason of factors unrelated to the performance of the underlying investment.

Any security which is not listed or quoted on any securities exchange or similar electronic system or, if being so, listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, is valued at its fair value as determined by the Directors having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such factors as the Directors in their sole discretion deem relevant in considering a positive or negative adjustment to the valuation.

All related realised and unrealised gains and losses are included in the Statement of Comprehensive Income as they arise on an average cost basis.

Side Pockets

Side pockets correspond to a specific type of account used in hedge funds to separate illiquid assets from other more liquid investments. Usually only the most illiquid assets, such as delisted shares of a company, receive this type of treatment because holding illiquid assets in a standard hedge fund portfolio can cause a great deal of complexity when investors liquidate their position.

The Board of Directors of the Fund has adopted a policy to apply a value adjustment of 50% of the value of assets allocated to a side-pocket as determined by the underlying hedge fund as reported by the respective fund administrator. This percentage has been determined by the Board of Directors of the Fund based on an analysis of the assets included in the side pocket (as far as this information was available), and based on the Board's best estimate of the net realisable value of such assets, determined in good faith. In addition, in the rare cases where the side pocket includes assets for which a market value can be obtained, the Board of Directors has valued such assets separately at such market value as of 31 December 2009.

As of 31 December 2009, the caption "financial assets" (at fair value through profit or loss) includes investments in underlying hedge funds, whose investments are subject to side pockets for an amount of USD 689,490 corresponding to 26.19% of the Fund's Net Asset Value, (2008: USD 902,462 (2.04% of the Fund's NAV)) after the 50% value adjustment..

2. Summary of significant accounting policies (continued)

(c) Financial assets or financial liabilities (at fair value through profit or loss) (continued)

Gates

Gates correspond to a restriction placed on a hedge fund limiting the amount of withdrawals from the hedge fund during a redemption period. The implementation of a gate on a hedge fund is up to the hedge fund manager. The purpose of the provision is to prevent a run on the fund, which could cripple its operations, as a large number of withdrawals from the fund would force the manager to sell off a large number of positions. This is a less severe withdrawal restriction than an all out redemption suspension, which doesn't allow for withdrawals at all.

The Board of Directors of the Fund has adopted a policy to carry gated redemptions of underlying hedge funds as undiscounted fair value investments where the NAV provided by the administrator of the underlying hedge fund can be accepted as fair value.

On 31 December 2009 and 2008, none of the underlying funds have applied redemptions gates.

Redemption suspensions

Redemption suspensions correspond to a restriction placed on a hedge fund preventing the withdrawal from the fund during a redemption period. The redemption suspension is implemented when the fund is unable to meet redemption demands.

The Board of Directors of the Fund has adopted a policy to review each instance of suspension on a case by case basis and determine whether or not the last published NAV provided by the underlying administrator should be adjusted.

On 31 December 2009 and 2008, none of the underlying funds have suspended redemptions.

(d) Loans and receivables

The Fund includes in this category prepayments and short term receivables. Loans and receivables are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(e) Other financial liabilities

The Fund includes in this category short term payables. Financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

2. Summary of significant accounting policies (continued)

(f) Revenue Recognition

Interest income is recognised gross of any recoverable withholding tax in the Statement of Comprehensive Income as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Dividend income is recognised in the Statement of Comprehensive Income when the right to receive the dividend is established and is recorded gross of any recoverable withholding tax.

(g) Net asset value per Participating Share

The net asset value of each Series of Participating Shares is expressed as a per share figure and is determined in respect of each Valuation Date by determining the net asset value of the Fund attributable to each Series of Participating Shares, being the value of the assets of the Fund less the liabilities and dividing the net asset value by the number of each Series of Participating Shares outstanding as at the relevant Valuation Date (See Note 9). All reference to net assets through this document refers to net assets attributable to participating shareholders, unless otherwise stated.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as “cash and cash equivalents”.

For the purpose of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(i) Equity

Management Shares (Note 3) are not redeemable and are classified as equity.

(j) Participating Shares

Participating Shares (Note 3) are redeemable at the shareholder’s option and are classified as financial liabilities.

2. Summary of significant accounting policies (continued)

(k) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rate ruling of the date of the financial statements. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the Statement of Comprehensive Income as foreign currency exchange gains or losses except where they relate to financial assets (at fair value through profit or loss) where such amounts are included within 'net realised gain on financial assets (at fair value through profit or loss)' and 'net increase in unrealised depreciation on financial assets (at fair value through profit or loss)'. Non-monetary assets and liabilities are translated into US dollars using the rates ruling on the date of the transaction. Transactions during the period, including purchases and sales of securities, income and expense items expressed in currencies other than US dollars are translated at rates of exchange prevailing on the dates of such transactions. Differences arising on translation are included in the Statement of Comprehensive Income.

The ruling USD/EUR exchange rate at the year-end was 1.4326 (2008: 1.3970).

(l) Fees and commissions

Fees and commissions are recognised on an accrual basis.

3. Authorised shares and their designations and preferences

The Company is authorised to issue 4,800,100 shares divided into six Classes of shares as follows:

- One Class of 100 non-participating voting Management shares (the "Management Shares") of $1.00 par value each, and
- One Class of 960,000 participating redeemable preference shares of US$ 0.01 par value each (designated "Class A-I").
- One Class of 960,000 participating redeemable preference shares of US$ 0.01 par value each (designated "Class A-II").
- One Class of 960,000 participating redeemable preference shares of US$ 0.01 par value each (designated "Class A-III").
- One Class of 960,000 participating redeemable preference shares of US$ 0.01 par value each (designated "Class A-IV").
- One Class of 960,000 participating redeemable preference shares of US$ 0.01 par value each (designated "Class B").

The participating redeemable preference shares designated as Class A-I, Class A-II, Class A-III, Class A-IV and Class B are herein collectively described as the "Participating Preference Shares".

Class A-I, Class A-II, Class A-III, Class A-IV and Class B Participating Preference Shares are divided into twelve series, such Series containing the respective number of shares more particularly as follows:

(i) Series 1 – 300,000 shares; and
(ii)Series 2 to 12 –60,000 shares each.

The shares in the Company shall be issued in the currency of the United States of America.

3. Authorised shares and their designations and preferences (continued)

Holders of the Participating Shares are not entitled to receive, attend or vote at meetings of the Members (unless otherwise provided to the contrary in this Memorandum or the Articles of Association) but such shares shall be redeemable by the Company at the election of the holder as per the Articles of Association and the holders shall, subject to the provisions of the Memorandum and the Articles of Association be entitled to participate in the profits and distributions of the Company and in the surplus assets of the Company on a winding up or otherwise. Holders of the Management Shares are entitled to receive notice of and attend meetings of the Members and the holders of such shares are entitled to have one vote per share at such a meeting. However, such shares are not redeemable by the holders thereof and do not participate in any profits or distributions of the Company or in the surplus assets of the Company on a winding up or otherwise.

Upon a purchase, redemption or other acquisition of Participating Shares, or upon the liquidation of the Company, each Class or Series of Participating Shares participates on a prorata basis with all other shares in the same Class or Series in the capital and the surplus of the Company relating to such Class or Series of shares only. The Directors maintain at all times separate accounts and separately identify the assets of the Company as relate to each Class or Series of Participating Shares in issue and do not hold such assets in any way which would reduce or increase or otherwise vary the rights of the Members of each such Class or Series to the assets so separated for each such Class or Series.

All consideration received by the Company in respect of any Class and or Series of shares of the Company, together with all property, profits and proceeds constituting or derived from the investment and reinvestment thereof in whatever form the same may be, shall belong to such Class and or Series for all purposes, and are herein referred to as the "assets belonging to" such Class and or Series.

The assets belonging to each Class and or Series will be charged with the liabilities of the Company in respect of such Class and or Series and with such Class's and or Series' share of the general liabilities of the Company, in the latter case in the proportion that the net value of the assets belonging to such Class and or Series bears to the net value of the assets belonging to all Classes and or Series of shares of the Company.

In accordance with IAS 32 (revised), Participating Shares have been classified as financial liabilities rather than equity in the Statement of Financial Position since such shares give investors the right to redeem them for cash equal to their proportionate share of the net asset value of the Fund.

All of the Management Shares are held by Octane Management Ltd, the Investment Manager of the Fund and are disclosed as management shares in the Statement of Financial Position and are classified as Equity.

3. Authorised shares and their designations and preferences (continued)

Capital management

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of shares.

The Fund's objectives for managing capital are:

-To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
-To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
-To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
-To maintain sufficient size to make the operation of the Fund cost-efficient.

4. Cash and cash equivalents

Cash is represented by:	**31.12.2009 US$**	**31.12.2008 US$**
Current account balances	23,927,103	-
Bank overdraft	-	(2,996,386)
Total	**23,927,103**	**(2,996,386)**

The Fund negotiated an overdraft facility with the custodian bank, as detailed in Note 13. (j)

5. Financial assets at fair value through profit or loss

The Fund's financial instruments are recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the net asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All financial assets (at fair value through profit or loss) of the Fund at 31 December 2009 are considered to be Level 3.

5. Financial assets at fair value through profit or loss (continued)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	31.12.2009 US$
Opening balance	-
Purchases	2,719,024
Sales	(18,914,027)
Transfers into (out of) Level 3	19,368,321
Total gains and losses in the Statement of Comprehensive Income	311,656
Closing balance	**3,484,974**

6. Receivable on sale of financial assets

The amount of US$ 18,472,114 represents proceeds payable for which the settlement date was before year end but with a trade date after year end (2008: nil).

7. Redemptions payable

The amount of US$ 43,193,561 represents a redemption with a trade date before year end, but settlement date after year end (2008: nil).

8. Creditors and accrued charges

	Notes	31.12.2009 US$	31.12.2008 US$
Management fees	10	95,611	142,693
Audit fees		20,307	18,863
Administration fees	11	9,429	24,194
Custodian fees		5,301	5,687
Interest payable		-	2,204
		130,648	193,641

9. Net asset value per Participating Share

The net asset value per Participating Share is calculated by dividing the net assets included in the Statement of Financial Position of each series of shares by the number of Participating Shares in issue for each series of shares at year end.

Date	Share Class and Series	Net Assets US$	Number of Shares	NAV per Share US$
31.12.09	Class A II Series 1	2,632,442	3,216.750	818.355
		2,632,442	**3,216.750**	
31.12.08	Class A II Series 1	43,374,394	56,013.844	774.351
31.12.08	Class A II Series 2	442,757	512.787	863.433
31.12.08	Class A III	421,101	465.624	904.379
		44,238,252	**56,992.255**	

10. Management fees, Performance fees and Fee rebates

The Investment Manager will receive from the Fund a management fee equivalent to 1.25% per annum of the Net Asset Value of the Class A II Participating shares and 1.75% per annum of the Net Asset Value of the Class A III Participating shares. The management fee is calculated, accrued and charged on each Valuation Date and is paid quarterly.

The Investment Manager will also receive from the Fund a quarterly performance fee ("the Performance Fee'). The Performance Fee is equal to 15 % of New Net Profits (which is the increase in the Net Asset Value of the Fund ("**Fund NAV**") as compared to the higher of (i) the initial Fund NAV, or (ii) the highest Fund NAV at which a Performance Fee was paid (the "**Prior High NAV**" or "**High Water Mark**" of the Fund). Performance Fees also are due at the time of redemption of a shareholder if other than the end of a calendar quarter. Shareholders will subscribe for shares at different times, receive separate series with respect to each such subscription, and consequently will have different High Water Marks at each Valuation Date. The High Water Mark provides a benchmark so that the Fund will not be subject to a Performance Fee on the recoupment of net losses allocated to the Fund after having been subject to a Performance Fee.

The Performance Fee is calculated, accrued and charged on each Valuation Date, but shall be paid on a calendar quarter basis. The Performance Fee will only be payable on the compounded returns of the Fund. Therefore, if in any year the net asset value of the Fund should decrease, the shortfall must be made up in subsequent years before any further Performance Fees are payable.

Performance Fees paid to the Investment Manager shall not be refundable despite the subsequent occurrence of a reduction in net asset value of the Fund after the end of the year to which the Performance Fee relates.

10. Management fees, Performance fees and Fee rebates (continued)

The Fund will also receive a fee rebate equivalent to 100% of the management and performance fees received by Octane Management Ltd on the underlying investments made into the Octane Funds by the Fund.

The management fee for the year ended 31 December 2009 amounts to US$ 519,607 (2008: US$ 654,350). A related liability has been recorded under the caption “Creditors and accrued charges” on the liability side of the Statement of Financial Position for an amount of US$ 95,611 (2008: US$ 142,693).

No Performance Fees are due for the year ended 31 December 2009 (2008: US$ nil).

The corresponding fee rebate for the year ended 31 December 2009 amounts to US$ 635,790 (2008: US$ 1,004,223). A related asset has been recorded under the caption “Fee rebates receivable” on the asset side of the Statement of Financial Position for an amount of US$ 102,560 (2008: US$ 170,707).

11. Administration fees

As compensation for its services to the Fund, the Administrator receives annual fees (plus disbursements) to be paid quarterly in arrears within thirty days following the end of each calendar quarter. For the year ended 31 December 2009, the fees due to the Administrator amounted to US$ 46,623 (2008: US$ 54,724). A related liability has been recorded under the caption “Creditors and accrued charges” on the liability side of the Statement of Financial Position for an amount of US$ 9,429 (2008: US$ 24,194).

12. Taxes

Taxes arise solely from withholding taxes on dividends and interest income in certain countries. Under the laws of the British Virgin Islands, there are no individual or corporate taxes on income or capital gains payable, which are applicable to the Fund or its shareholders. As a result, no tax liability or expense has been recorded in the financial statements.

13. Financial risk management objectives and policies.

(a) Introduction

The Fund’s activities expose it to various types of risks that are associated with the financial assets and liabilities and markets in which it invests. The Fund is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds. The Fund’s risk is managed through a careful selection of securities and other financial instruments. The risk management policies employed by the Fund to manage these risks are discussed hereafter.

(b) Risk Management Structure

As stated in the Investment Manager Agreement, the Fund's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Fund.

(c) Risk measurement and reporting system

The Fund's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The model makes use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

(d) Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

(e) Excessive Risk Concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentration of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentration of risk, the Investment Manager's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

13. Financial risk management objectives and policies (continued)

(f) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund's investments and other financial instruments are also susceptible to market price risk arising from factors specific to the individual security and other financial instrument or its issuer or factors affecting all traded assets in the market.

The Fund trades its assets in shares/units of other Funds. Such financial instruments are speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for financial instruments change rapidly and are affected by a variety of factors, including interest rates and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board, have a profound effect on interest rates which, in turn, affect the price of financial instruments. In addition, a variety of other factors which are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, patterns of trade and war or other military conflict can also have significant effects on the markets.

The Fund may have only limited ability to vary its portfolio in response to changing economic, financial and investment conditions. Those risks may be enhanced significantly by the concentration of the Fund's investments.

Even in the absence of adverse events, which could cause significant and immediate loss in value of the Fund's portfolio, transactions on shares/units of hedge funds can quickly lead to large losses. Such trading losses could sharply reduce the net asset value of the Fund and, consequently, the value of the Shares.

2009	Cost	Fair value	Unrealised loss	Percentage of NAV
Financial assets (at fair value through profit or loss)	3,542,501	3,484,974	(57,529)	132.38%

2008	Cost	Fair value	Unrealised gain	Percentage of NAV
Financial assets (at fair value through profit or loss)	51,115,354	44,247,672	(6,867,682)	100.02%

13. Financial risk management objectives and policies (continued)

(f) Market risk (continued)

The portfolio of funds of funds is categorised per investment strategy and expressed as a percentage of the portfolio.

Strategy	2009 % Portfolio	2008 % Portfolio
Event Driven	33.80	14.73
Multi-Strategy	33.53	10.72
Global Macro	13.28	15.75
Distressed securities	10.54	7.19
Fixed Income	8.34	7.59
Long/Short Equity		
Market Neutral	0.49	1.13
Emerging Markets	0.03	2.09
Long/Short Equity	-	22.99
CTA	-	17.28
Relative value	-	0.53
Total	**100**	**100**

The sensitivity of the portfolio to market risk was calculated based on information provided by investment advisors. An MSCI equity index was assigned based on geographical allocations within the Fund to calculate average monthly returns and monthly standard deviation for each equity index since its inception to understand the complete risk and return profile. A twenty-four month regression analysis was run and the R^2 for each of the equity indices was calculated using a ninety-five percent confidence level. At a ninety-five percent confidence level, the equity indices would experience a monthly standard deviation of 1.64% resulting in the following potential monthly gain and monthly loss by geography:

Based on the geographical allocations at the Fund level, this resulted in an estimated 0.12% monthly gain or an estimated 4.76% monthly loss for 31 December 2009 (2008: gain of 2.73% and loss of 2.02%). The R^2 of the regression analysis (the fraction of the variance of the Fund's returns that is explained by the regression) amounts to 0.11 (2008: 0.39). 1 indicates a perfect fit while 0 indicates the absence of fit.

The above analysis does not include exposure of the underlying funds to this risk.

13. Financial risk management objectives and policies (continued)

(g) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund may invest in trading financial instruments denominated in currencies other than US$. Consequently, the Fund is exposed to risks that the exchange rate of US$ relative to other currencies may change in a manner that has an adverse effect on the reported value of that portion of the Fund's assets that are denominated in currencies other than US$.

The Fund did not invest in non base currency securities during 2009 or 2008. Its currency risk exposure as of 31 December 2009 and 31 December 2008 is not significant.

The above analysis does not include exposure of the underlying funds to this risk.

(h) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is 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 majority of the Fund's financial assets and liabilities are non-interest bearing instruments. Interest is paid on cash balances at a floating rate. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Substantially all of the Fund's financial assets are underlying Funds which neither pay interest nor have a maturity date. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Fund does not intend to use leverage. However, it may borrow from banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Fund can borrow will affect the operating results of the Fund.

The Investment Manager manages the Fund's exposure to interest rate risk on a regular basis in accordance with the Fund's investment objectives and policies.

The interest rate risk is not significant as of 31 December 2009 and 2008.

The above analysis does not include exposure of the underlying funds to this risk.

13. Financial risk management objectives and policies (continued)

(i) Credit risk

Credit risk represents the maximum financial loss that would be recognised by the Fund at the reporting date if financial instrument counterparties failed to discharge an obligation.

Financial assets which potentially expose the Fund to credit risk consist principally of shares/units of Hedge Funds, cash balances and deposits with and receivables from banks. The extent of the Fund's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Fund's Statement of Financial Position. All the Fund's financial assets are with third parties and are kept in custody by HSBC Securities Services (Luxembourg) S.A. (Parent company HSBC Holding Plc was rated AA- by S&P's as at 31 December 2009).

The Fund manages its credit risk by evaluating the creditworthiness of entities with which the Fund has a credit risk exposure.

As at the reporting date, the Fund's maximum exposure to credit risk amounted to the following:

	31.12.2009 US$	**31.12.2008 US$**
Financial assets (at fair value through Profit and loss account)	3,484,974	44,247,672
Cash and cash equivalents	23,927,103	-
Other receivables	18,574,674	3,180,707
Total	**45,986,751**	**47,428,379**

None of the Fund's financial assets were considered to be past due or impaired as of 31 December 2009.

The above analysis does not include exposure of the underlying funds to this risk.

13. Financial risk management objectives and policies (continued)

(j) Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may arise from a requirement to pay its liabilities earlier than expected or from redemption requests coming from participating shareholders.

As described in Note 3 to the financial statements, the Fund's redeemable shares are redeemable at the shareholders option at any time for cash equal to the proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to the liquidity risk of meeting redemption requests.

According to an agreement between the Fund, HSBC Bank plc (the"Bank") and HSBC Securities Services (Luxembourg) S.A.(the "Custodian"), dated 19 July 2008, the Fund negotiated an overdraft facility with the custodian bank, with an operational limit of 10% of the base currency equivalent (as defined in the overdraft facility agreement) of the value of the eligible collateral (as defined in the overdraft facility agreement) which from time to time is determined by the Bank less the aggregate amount of any outstanding indebtedness and any other liabilities as at 31 December 2009. The interest rate applicable to the drawings under the Overdraft Facility is 1% above the Bank's base rate (as defined in the overdraft facility agreement). The repayment and discharge of all monies at any time owing to the Bank in respect of the Overdraft Facility is secured by all security at any time kept in custody by the Bank. The security is required as a secondary source of repayment in the event that the Borrower fails to repay the overdraft facility.

As of 31 December 2009 all the underlying funds still in portfolio are side pocket. Consequently these investments are considered as highly illiquid.

The following tables detail the Fund's liquidity analysis for 31 December 2008, breaking down all underlying funds by redemption frequency (from daily to annually) and notice period (from 1 days to 180 days). The information on "financial assets percentages" refers to the proportion of the portfolio which can be redeemed in the relevant number of days given.

2008		Notice Periods							Grand Total
Redemption Frequency		1	15	30	45	60	90	180	
Annually	Number of underlying investments				1	3	5		9
	Financial assets %				0.54%	2.78%	3.99%		7.31%
Quarterly	Number of underlying investments			12	13	19	13	1	58
	Financial assets %			5.97%	5.88%	8.82%	6.36%	0.08%	27.11%
Monthly	Number of underlying investments	2	6	17	3	4	11		43
	Financial assets %	0.46%	3.66%	8.39%	0.05%	1.93%	5.67%		20.16%
Daily	Number of underlying investments	10							10
	Financial assets %	45.41%							45.41%
	Total Number of investments	12	6	29	17	26	29	1	120
	Total Financial assets %	45.87%	3.66%	14.36%	6.47%	13.53%	16.02%	0.08%	100.00%

13. Financial risk management objectives and policies (continued)

(j) Liquidity risk (continued)

The liquidity of the Fund is monitored quarterly to ensure that redemption requests can be met.

14. Related Parties

During the year, the Fund entered into transactions with related parties. Related parties are considered to be a party that has the ability to control the Fund or exercise significant influence over the Fund in making financial or operational decisions.

The Investment Manager and Directors are related parties to the Fund.

The Fund has been managed and controlled by its Board of Directors, consisting of Mustafa N. Zaidi, Dr Gerald Gonzenbach (until the 23 November 2009), Nicolas Salloum (from 24 November 2009), Roland K. Staub and Christopher Mc Kenzie.

Mr Zaidi, Dr Gerald Grozenbach (and then Mr Salloum) and Mr. Staub are also Directors of the Investment Manager (see Note 10).

Mustafa N. Zaidi, Dr Gerald Gonzenbach (and then Mr Salloum) and Roland K. Staub are also Directors of other Octane Funds.

Mr Zaidi, Dr Gonzenbach (then replaced by M. Salloum), Mc Kenzie and Mr. Staub receive fees from the Fund of US$ 10,000 each per annum for serving as Directors, plus any costs associated with attendance at meetings of Directors.

All Directors have assigned their Directors' Fees to Octane Management Limited.

None of the Directors held shares in the Fund at year end.

15. Subsequent events

There were no subsequent events which require disclosure in the financial statements.
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