UNAUDITED INTERIM REPORT

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

(FORMERLY KNOWN AS TETRAGON CREDIT INCOME MASTER FUND LIMITED)

FOR THE PERIOD ENDED 30 JUNE 2007

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

UNAUDITED INTERIM REPORT
FOR THE PERIOD ENDED 30 JUNE 2007

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS	Patrick Dear Rupert Dorey* Reade Griffith (appointed 26 April 2007) David Jeffreys* Byron Knief* Lee Olesky * David Wishnow
REGISTERED OFFICE	Dorey Court Admiral Park St. Peter Port Guernsey Channel Islands
INVESTMENT MANAGER	Polygon Credit Management LP 399 Park Avenue New York, NY 10022 United States of America
ADMINISTRATOR, SECRETARY AND REGISTRAR	Kleinwort Benson (Channel Islands) Fund Services Limited P.O. Box 44 St. Peter Port Guernsey Channel Islands GY1 3BG
AUDITORS	KPMG Channel Islands Limited 20 New Street St. Peter Port Guernsey Channel Islands GY1 4AN
PRIME BROKER	Morgan Stanley & Co. International PLC 25 Cabot Square Canary Wharf London E14 4QA United Kingdom

*Non-executive directors

LEGAL ADVISERS (AS TO U.S. AND U.K. LAW)	Akin Gump Strauss Hauer & Feld One Ropemaker Street London EC2Y 9AW United Kingdom
LEGAL ADVISERS (AS TO U.S. LAW)	Cravath, Swaine & Moore LLP One Ropemaker Street London EC2Y 9HR United Kingdom
LEGAL ADVISERS (AS TO GUERNSEY LAW)	Ogier Ogier House St. Julian's Avenue St. Peter Port Guernsey Channel Islands GY1 1WA
LEGAL ADVISERS (AS TO DUTCH LAW)	De Brauw Blackstone Westbroek N.V. Tripolis Burgerweeshuispad 301 1076 HR Amsterdam The Netherlands

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

INVESTMENT MANAGER'S REPORT
For the period ended 30 June 2007

In this Investment Manager's Report, unless otherwise stated we report on the consolidated business incorporating Tetragon Financial Group Limited, Tetragon Financial Group LP and Tetragon Financial Group Master Fund Limited.

H1 2007 results at a glance:

- **Overview:** The portfolio performed well in the first six months of 2007. During the period we significantly increased the size of our portfolio. At the same time the weighted-average internal rates of return (IRRs) in the portfolio increased as we continued to build a portfolio predominantly exposed to senior secured loans, financed through selective investments in collateralized debt obligation (CDO) vehicles.

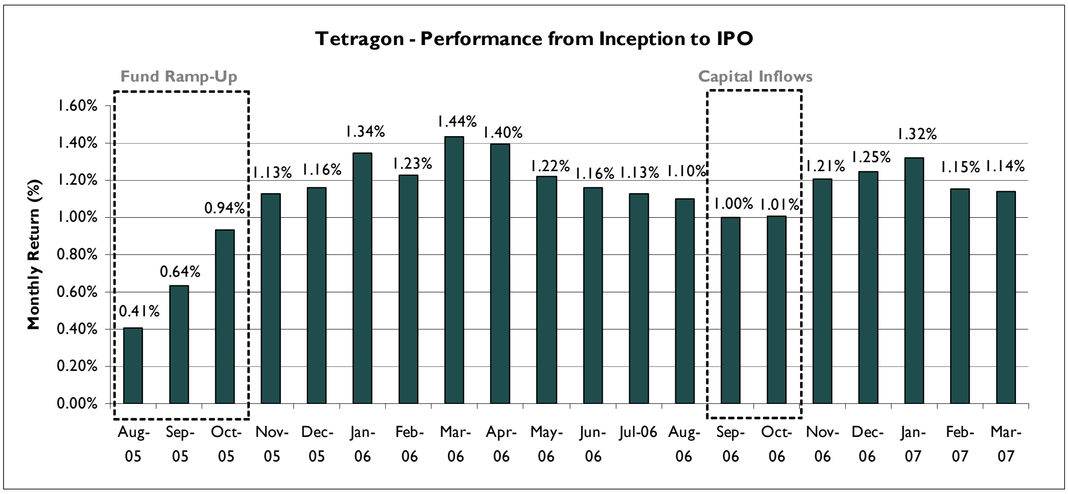
Financial results – Net Income

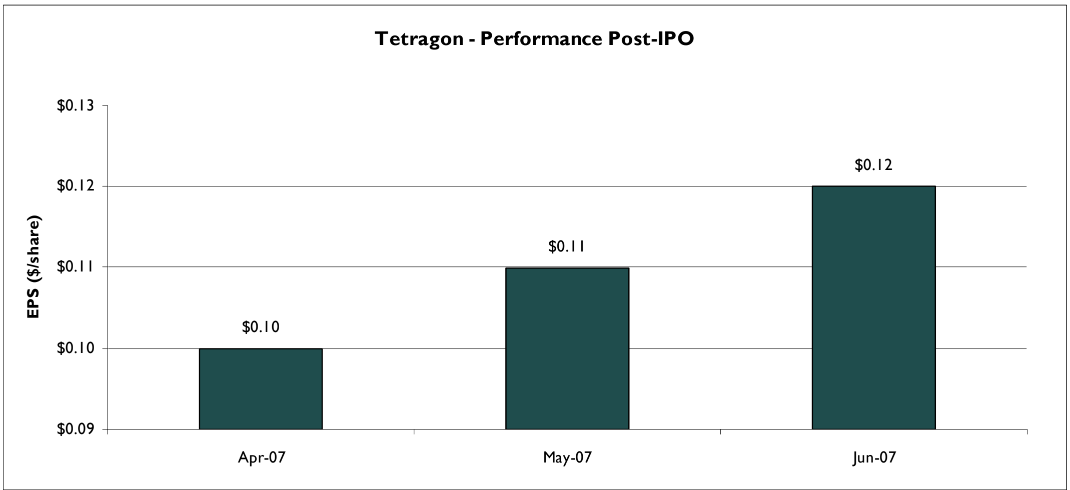
- **Net Income:** In the first six months of 2007 consolidated net income was $66.8 million, an increase of nearly seven times over the corresponding period in 2006 when $9.7 million was earned. Income growth was driven by our larger portfolio of deals, further boosted by higher IRRs on those deals.

- **Expenses:** Consolidated operating expenses, excluding incentive fees were ($17.8 million) in the first half of the year, or 19.2% of gross investment income. In the same period in 2006 consolidated expenses were ($3.9million) which was 27.4% of gross investment income. This reduction as a percentage of investment income reflects the relative reduction in interest expense as the company has increased the portfolio size without a corresponding increase in borrowing.

- **Earnings per Share:** Since the global offering and its conversion to a closed-ended entity on 26 April 2007, Tetragon Financial Group Limited (TFG) has generated EPS of $0.24. On a monthly basis we have seen EPS grow to $0.12 in June from $0.10 in April 2007 (using an implied weighted average share number for that month). Comparable EPS is not available for the same period in 2006 as TFG was operating as an open-ended company with multiple share classes.

- **Dividend:** On 30 July 2007 the Board of TFG declared a dividend of $0.15 per share in respect of Q2 2007. An Optional Stock Dividend plan will be in operation, allowing shareholders to elect to receive this in the form of additional TFG shares.





Notes:

1. August 2005-June 2006 reflects illustrative performance using Class A share performance and adjusting to reflect Class C levels of management fee and incentive fee.
2. July 2006-March 2007 reflects actual per share performance for Class C shares (1.5% management fee; 25% incentive fee over a hurdle rate of 8%).
3. April 2007 reflects Earnings per Share (EPS) base on average shares in issue in the month after translating pre IPO shares into post IPO equivalents.
4. May 2007 onwards reflects EPS based on post IPO shares only.

Financial results – Net Assets

- **Net Assets:** Consolidated net assets have more than doubled to $1.26 billion up from $0.59 billion at the end of 2006. Significant new capital was raised in both Q1, when Tetragon was an open-ended hedge fund, and at the time of the global offering in April 2007. In addition, strong net income drove the net assets higher.

- **NAV per Share:** Current NAV per share for TFG is $10.08, up from $9.85 at the end of April 2007. Comparisons with the pre-global offering NAV per share are not meaningful.

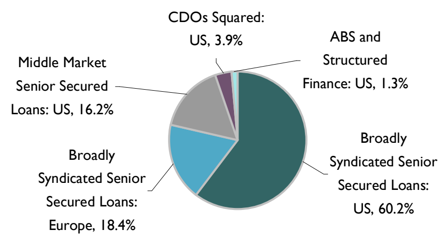
Portfolio Summary

- **New Deals:** During the first half of 2007 the investment portfolio grew to $1.4 billion from $0.79 billion as a further 22 transactions settled, bringing the total settled transactions to 65.

- **Portfolio composition:** The portfolio continued to be largely composed of CDO equity with underlying exposure to senior secured loans. As at the end of June 2007, 94.8% of risk capital was invested in broadly syndicated and middle market secured loans across both the US and European markets. On a look-through basis this gave the portfolio exposure to approximately $15 billion of leveraged loans across 1,600 corporate obligors, up from $8.75 billion at the end of 2006. The balance of risk capital was invested in CDO[2] transactions (3.9%) and ABS and structured finance CDOs (1.3%).

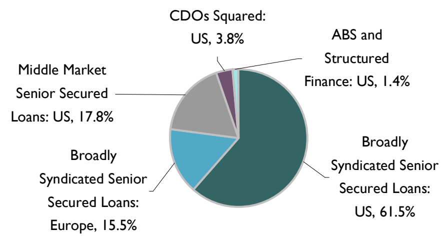
Capital Allocation by Asset Class (June 2007)	Risk Capital Allocation
Broadly Syndicated Senior Secured Loans: US	60.2%
Broadly Syndicated Senior Secured Loans: Europe	18.4%
Middle Market Senior Secured Loans: US	16.2%
CDOs Squared: US	3.9%
ABS and Structured Finance: US	1.3%
Total	**100%**

Asset Class Allocation



Capital Allocation by Asset Class (December 2006)	Risk Capital Allocation
Broadly Syndicated Senior Secured Loans: US	61.5%
Broadly Syndicated Senior Secured Loans: Europe	15.5%
Middle Market Senior Secured Loans: US	17.8%
CDOs Squared: US	3.8%
ABS and Structured Finance: US	1.4%
Total	**100%**

Asset Class Allocation



- **IRRs:** The weighted-average IRR on closed CDO transactions climbed from 16.1% at 31 December 2006 to 16.5% at the end of June 2007, reflecting the continued ability to source good investments.

- **Life-to-Date Actual vs. Accrued Collateral Gains/(Losses):** The benign credit environment continued during the period, allowing further loss reserves to be built up. Actual life-to-date collateral losses as of June 2007 remained well below accrued levels, with the portfolio registering a $0.4 million gain relative to $60.6 million of expected losses to date. As at 31 December 31 2006 there were gains in the portfolio of $1.5 million relative to $22.7 million of expected losses.

Portfolio Summary (continued)

- **Leverage:** As at the end of June 2007 the ratio of investments at fair value (less accrued interest) to consolidated net assets was 1.08. This has fallen from 1.27 at December 2006 as the proceeds of the global offering were put to work. The current reduced leverage also reflects a desire to retain the ability to be able to take advantage of any opportunities offered up by the market.

Market Developments

- **Defaults:** The first half of 2007 witnessed an unprecedented seven-month default-free streak in the leveraged loan market, as the S&P lagging 12-month default rate fell to 0.15% on a principal-weighted basis and 0.29% by number of loans at the end of June. These levels are significantly below the historical per-annum average of 3.17% (since June 2003).

- **Credit Exposure**: Although defaults reached historical lows at the end of June 2007, we expect that risk premia will be built back into the credit markets as the present default environment moves toward average historical levels. The end of June 2007 brought the first signs of this anticipated spread widening as investors won increased spread concessions and structural improvements. We expect that TFG's portfolio is positioned to benefit from a spread widening environment, in which our transactions' pre-payment proceeds would be reinvested at higher spreads, while benefiting from active default-risk management and term financing locked-in at historically tight levels. Although the volume of loan prepayments due to corporate refinancing activity may decrease from current levels, M&A and restructuring activity is expected to continue at healthy levels and to generate meaningful rates of portfolio turn-over.

- **Deal Pipeline - Leveraged Loans and CLOs**: Leveraged loan issuance was strong during the first half of 2007 with $390 billion of institutional and pro-rata loans brought to market, representing an increase of 55% over the same period in 2006. As of the end of the second quarter, however, the market began to exhibit clear signs of a supply-demand imbalance and growing investor concern with loan structures and credit quality levels. We expect that the record-breaking pace of loan market growth will slow during the second half of the year, as technical supply-demand forces are brought into equilibrium and new clearing levels and structures are negotiated by market participants.

  CLO issuance was also strong during the period with $125 billion issued year-to-date. It is expected, however, that the year-to date pace of CLO issuance will not continue through the end of the year as the market becomes more discriminating with respect to the underlying credit quality and structures as well as portfolio managers. As Tetragon only invests with what it perceives to be top-tier CLO managers, we are confident that we will be able to continue to construct an attractive pipeline of investments.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF ASSETS AND LIABILITIES
as at 30 June 2007 (unaudited)

	Note	30 June 2007 US$	31 Dec 2006 US$
Assets			
Cash and cash equivalents	3	219,004,718	117,859,435
Investments in securities, at fair value* (cost US$1,335,432,191 (2006: US$747,360,668))		1,409,144,572	785,260,048
Unrealised gain on forward contracts	4	243,670	-
Derivative Financial Assets - Credit Default Swaps	8	535,315	-
Other receivables	5	1,170,104	543,791
Total assets		1,630,098,379	903,663,274
Liabilities			
Payables under repurchase and swap agreements	6 & 7	351,263,404	266,966,810
Derivative financial liabilities - Credit Default Swaps	8	1,400,199	1,487,269
Amounts payable for purchase of investments		-	23,904,647
Bank Overdraft	3	2,793,427	-
Unrealized loss on forward contracts	4	1,653,562	2,559,966
Interest payable		3,086,461	2,422,084
Other payables and accrued expenses	10	583,460	199,258
Total liabilities		360,780,513	297,540,034
Net assets		1,269,317,866	606,123,240
Equity			
Share capital	11	125,453	4,894
Share Premium	12	1,136,868,880	556,674,883
Earnings		132,323,533	49,448,357
		1,269,317,866	606,123,240
Shares outstanding		Number	Number
Shares	11	125,453,305	4,893,542
Net asset value per share			
Shares		US$10.12	US$123.86

* US$590,575,766 (2006: US$461,187,827) of these investments are pledged as collateral under repurchase and swap agreements.

The accompanying notes are an integral part of the financial statements.

These statements have been signed on behalf of the Board of Directors by Rupert Dorey and David Jeffreys on 30 July 2007.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF OPERATIONS
For the period ended 30 June 2007 (unaudited)

	Note	Period ended 30 June 2007 US$	Period ended 30 June 2006 US$
Interest income	14	92,641,936	13,644,593
Investment income		92,641,936	13,644,593
Management fees	15	(3,369,456)	(1,143,555)
Administration fees		(284,973)	(225,231)
Custodian fees		(2,246)	-
Legal and professional fees		(55,184)	(48,602)
Audit fees		(99,224)	(48,941)
Directors' fees	15	(61,599)	(26,650)
Other operating expenses		(30,221)	(28,892)
Interest expense		(8,670,998)	(2,195,154)
Operating expenses		(12,573,901)	(3,717,025)
Net investment income		80,068,035	9,927,568
Realized and unrealized gain / (loss) from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		825,000	-
Foreign currency transactions		(6,788,709)	(993,806)
Credit default swaps		(817,144)	(95,625)
		(6,780,853)	(1,089,431)
Net increase / (decrease) in unrealized appreciation / (depreciation) on:			
Investments		1,044,113	-
Forward foreign exchange contracts		1,150,073	(807,371)
Credit default swaps		622,386	(29,920)
Translation of assets and liabilities in foreign currencies		6,771,422	2,188,596
		9,587,994	1,351,305
Net realized and unrealized gain / (loss) from investments and foreign currencies		2,807,141	261,874
Net increase in net assets resulting from operations		82,875,176	10,189,442

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS
For the period ended 30 June 2007 (unaudited)

	Period ended 30 June 2007 US$	Period ended 30 June 2006 US$
Investment income	92,641,936	13,644,593
Operating expenses	(12,573,901)	(3,717,025)
Net realized gain / (loss) from investments and foreign currency	(6,780,853)	(1,089,431)
Net unrealized appreciation / (depreciation) on investments and translation of assets and liabilities in foreign currencies	9,587,994	1,351,305
Net increase in net assets resulting from operations	82,875,176	10,189,442
Issue of shares	708,853,728	71,788,135
Redemption of shares	(109,034,278)	(266,361)
Global offering costs	(19,500,000)	-
Increase in net assets resulting from net share transactions	580,319,450	71,521,774
Total increase in net assets	663,194,626	81,711,216
Net assets at start of period	606,123,240	85,397,436
Net assets at end of period	1,269,317,866	167,108,652

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

STATEMENT OF CASH FLOWS
For the period ended 30 June 2007 (unaudited)

	Period ended 30 June 2007 US$	Period ended 30 June 2006 US$
Operating and investing activities		
Net increase in net assets resulting from operations	82,875,176	10,189,442
Adjustments for:		
Realized gain on investments	(825,000)	-
Non cash interest income on investments	(28,667,476)	(6,342,062)
Unrealized (gains) / losses	(9,587,994)	(1,351,305)
Operating cash flows before movements in working capital	43,794,706	2,496,075
Increase in receivables	(626,313)	(42,576)
Increase in payables	730,469	123,009
Cash flows from operations	43,898,862	2,576,508
Proceeds from repayments on investments	88,268,464	2,000,000
Purchase of investments	(699,419,632)	(124,073,800)
Cash outflows from operating and investing activities	(567,252,306)	(119,497,292)
Financing activities		
Proceeds from issue of shares	708,853,728	71,788,135
Payments on redemption of shares	(109,034,278)	(266,361)
Global offering costs	(19,181,890)	-
Receipts from repurchase and swap agreements	85,008,724	48,306,708
Cash inflows from financing activities	665,646,284	119,828,482
Net increase in cash and cash equivalents	98,393,978	331,190
Cash and cash equivalents at beginning of period	117,859,435	35,686,369
Effect of exchange rate fluctuations on cash and cash equivalents	(42,122)	-
Cash and cash equivalents at end of period	216,211,291	36,017,559

Note 1 General Information

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 under the provisions of the Companies Law as a company limited by shares, with registered number 4322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund changed its name from Tetragon Credit Income Master Fund Limited to Tetragon Financial Group Master Fund Limited on 30 March 2007. In addition, on 22 March 2007, the shareholders of the Fund passed a resolution, amending its articles of association to modify, among other things, its capital structure. Such amendment to the Fund's articles of association converted the Fund into a closed-ended fund by eliminating redemption rights of investors. The Fund continues to be registered and domiciled in Guernsey.

The registered office of the Fund is Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands.

The investment objective of the Fund is to generate distributable income and capital appreciation primarily through investments (directly or indirectly) in the "equity" or residual tranches of a broad range of CDO (Collaterized Debt Obligations) products and other securitization vehicles.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with United States generally accepted accounting principles ("USGAAP").

For financial statement reporting purposes, the Fund is an investment company and follows the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies (the "Guide").

The accounting policies have been consistently applied by the Fund during the period ended 30 June 2007 and are consistent with those used in the previous period.

The financial statements are presented in United States dollars.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes, including the valuation of investments. The Fund's management believes that the estimates utilized in preparing the consolidated financial statements are reasonable and prudent; however, actual results could differ materially from these estimates.

Note 2 Significant Accounting Policies (continued)

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to US Dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the statement of operations.

Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the statement of operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the statement of operations.

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from options, bonds, equities, futures, funds, swaps and repurchase agreements are calculated on the identified cost basis. Interest income and expense is recognized in the statement of operations as it accrues. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in securities, at fair value

The value of equity tranche investments in securitization vehicles is determined by reference to a third party valuation model that is used by both the Investment Manager and the Administrator. The model contains characteristics of the securitization vehicle structure, including current assets and liabilities and inception to date performance, based upon information derived by a specialist firm, from data sources such as the trustee reports. Key model inputs include asset spreads, expected defaults and expected recovery rates for the relevant category of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator. The model is used to project performance ("Expected IRR") for each investment, based on performance to date and expected future flows. As income is received from the securitization vehicle, only the Expected IRR is recognized as income and any difference is treated as an adjustment of principal.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in securities, at fair value (continued)

The fair value calculations for the equity tranches that are held are sensitive to the key model inputs, in particular to defaults and recovery rates. The default and recovery rates assumptions are derived directly from the extensive historical data provided by rating agencies such as Moodys and Standard & Poors, and applied according to the quality and asset class mix of the underlying collateral.

The initial model assumptions are reviewed on a regular basis with reference to both current and projected data from the ratings agencies and the main brokers operating in this market. In the case of a material shift in the actual rates away from historical levels then the model assumptions will be adjusted accordingly.

If, over the lifetime of an individual deal, defaults and recoveries diverge from their long term historical norms, then the actual returns may differ from the current levels projected by the model, which would impact the net asset value of the Fund.

The Fund recognizes interest income and any impairment pursuant to Emerging Issues Task Force Issue No. 99-20 ("EITF 99-20"), "*Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*". EITF 99-20 sets forth rules for recognizing interest income and determining when an investment's amortized cost must be written down to fair value because of other than temporary impairments.

The Fund determines periodic interest income based on the principles of EITF 99-20. The excess of the estimated future cash flows over the initial investment is the accretable yield which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under EITF 99-20 may not necessarily equal the income earned during any given year or period.

The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments are evaluated for impairment as of each month end or more frequently if it becomes aware of any material information that would lead it to believe that an investment may be impaired. Unrealized gains and losses represent the differences between the amortized cost and fair value of investments. Unrealized gains and losses occur when actual cash receipts differ from the amounts initially estimated, discount rates and/or assumptions included in the fair valuation models (such as estimated default rates, prepayment or recovery rates) have changed. Any unrealized loss is tested for permanent impairment as required by EITF 99-20.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in securities, at fair value (continued)

In determining permanent impairment, the present value of the future estimated remaining cash flows discounted at the last rate used to recognize the accretable yield on the investment is compared with the present value of the previously estimated remaining cash flows discounted at the last rate used to recognize accretable yield on the investment adjusted for the cash received during the intervening period. If the present value of the newly estimated cash flows has decreased then an adverse change and another temporary impairment has occurred. When an impairment is other than temporary, the investment is written down to fair value as of the reporting date and any previously unrealized loss is realized in the period such a determination is made. The Fund evaluates its impairment for investments on an investment by investment basis, not on an overall portfolio basis.

Derivatives

Derivatives are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price. Subsequent changes in the fair value of any derivative instrument are recognized immediately in the statement of operations.

Forward currency contracts

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. Subsequent changes in the fair value of any forward contract are recognized immediately in the statement of operations.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Repurchase agreements, reverse repurchase agreements and swap agreements

Securities sold subject to a simultaneous agreement to repurchase those securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortized cost.

Interest earned on reverse repurchase agreements and swap agreements and interest incurred on repurchase agreements and swap agreements is recognized as interest income or interest expense, over the life of each agreement using the effective interest method.

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives premium flows in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the premium flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

Credit default swaps are stated at fair value. The net income or expense on the swap agreements entered into by the Fund is reflected in the statement of operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the balance sheet. Changes in the fair value are reflected in the statement of operations in the period in which they occur.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Expenses

Expenses, including management fees, incentive fees, administration fees and prime broker fees, are recognized in the statement of operations on an accrual basis.

Note 2 Significant Accounting Policies (continued)

Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP600 per annum.

Interest income received by the Fund may be subject to withholding tax imposed in the country of origin. Interest income is recorded gross of such taxes and the withholding tax is disclosed separately.

The Fund adopted FIN 48 as issued by the Financial Accounting Standards Board ("FASB"). FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. The tax benefit recognized is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The adoption of FIN 48 did not have an impact on the Fund's financial statements as there were no cases that required examination.

Capital expenses

The preliminary expenses of the Company directly attributable to the global offering are charged to the share premium account.

Deposits in CDO Warehouses

The Fund has deposits in CDO warehouses. The Fund accounts for these at fair value on its statement of assets and liabilities with any changes to the fair value reflected as unrealized gains or losses in its statement of operations.

Principles of Consolidation

The Fund has determined that it does not have control over the significant operating, financial and investing decisions of the underlying CDO entities, or over the investment managers of the underlying CDO entities.

The Fund is the primary beneficiary of some CDO entities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide Investment Companies, consolidation of these entities is not required. The Fund does not consolidate any of the underlying CDO entities.

Note 3 Cash and Cash Equivalents

	30 June 2007	31 Dec 2006
	US$	US$
Restricted cash and current deposits with banks	219,004,718	103,287,148
Foreign currency cash (cost: US$(2,775,677) (2006: US$14,547,915))	(2,793,427)	14,572,287
	216,211,291	117,859,435

The restricted cash is subject to a two week lock up restriction. The Fund did not have any cash equivalents at the balance sheet date.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

The Fund's strategy on the management of market risk is driven by the Fund's investment objective, which is to achieve returns primarily from investments (directly or indirectly) in the "equity" or residual tranches of a broad range of CDO products and other securitisation vehicles.

To the extent prices may be obtained on some or all of the Fund's assets, those prices may be extremely volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Fund's assets.

The Fund's assets include securities or other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of equity tranche investments in securitization vehicles is determined utilizing a financial model that reflects numerous variables including, among other things, the Investment Manager's assessment of the nature of the investment and the relevant collateral, security position, risk profile, historical default rates and the originator and servicer of the position. As each of these factors involves subjective judgments and forward-looking determinations by the Investment Manager, the Investment Manager's experience and knowledge is instrumental in the valuation process. Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

The majority of the Fund's investments consist of interests in and/or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund. Some of the Fund's investments may also have structural features that divert payments of interest and/or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels.

This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio.

To the extent that actual defaults and losses on the underlying collateral exceeds the level of defaults and losses used to determine the fair value of the investment, the value of the investment will be reduced.

The Fund's assets are held at the prime broker and the Fund is exposed to the credit risk of this counterparty.

The Fund's repurchase and swap agreements result in exposure to counterparty credit risk. The counterparties to the Fund's repurchase and swap agreements are major financial institutions.

Details of the Fund's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 29 to 30.

Note 4 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

The following foreign exchange forward contracts were unsettled at 30 June 2007.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Gain US$
18 July 2007	Morgan Stanley	US$62,940,220	EUR46,300,000	243,670

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Loss US$
13 September 2007	Morgan Stanley	US$58,256,000	EUR44,000,000	(1,437,888)
31 December 2007	Morgan Stanley	US$31,077,140	EUR23,000,000	(215,674)
				(1,653,562)

The following foreign exchange forward contracts were unsettled at 31 December 2006.

Maturity Date	Counterparty	Amount Bought	Amount Sold	Unrealized Gain / (Loss) US$
13 February 2007	Morgan Stanley	US$59,171,576	EUR46,119,701	(1,555,946)
18 April 2007	Morgan Stanley	US$14,861,388	EUR12,016,000	(1,004,020)
				(2,559,966)

Note 5 Other Receivables

	30 June 2007 US$	31 Dec 2006 US$
Bank interest receivable	1,099,270	543,791
Prepaid insurance	70,834	-
	1,170,104	543,791

Note 6 Payables under Repurchase Agreements

	30 June 2007 US$	31 Dec 2006 US$
Payable under repurchase agreement – Morgan Stanley	164,845,032	121,430,976
Payable under repurchase agreement – Lehman	68,473,877	28,247,754
Payable under swap agreement – Deutsche Bank	117,944,495	117,288,080
	351,263,404	266,966,810

The average interest rate payable during the period was 5.74% (2006: 6.00%). The average amount of borrowings under repurchase and swap agreements during the period was US$ 310,644,851 (2006: US$137,778,484). Securities sold under repurchase agreements are included in investments in securities, at fair value. The fair value of these securities held under repurchase agreements at 30 June 2007 was US$393,788,480 (2006: US$241,178,700). The fair value of these securities held under the swap agreements at 30 June 2007 was US$196,787,286 (2006: US$220,009,127).

Note 7 Payables under Swap Agreements

The Fund has entered into a Structured Total Return Swap agreement with Deutsche Bank AG. By period end the Fund delivered to Deutsche Bank AG bonds with a face value of US$199,200,000 (2006: US$199,200,000) in exchange for US$117,288,080 (2006: US$117,288,080). At the conclusion of the Contract the same bonds will be delivered back to the Fund and the outstanding loan will be repaid. During the term of the Contract interest will be paid to Deutsche Bank AG on the amount borrowed at a floating rate of the 3 month USD-LIBOR-BBA plus a spread of 0.85% on a quarterly basis and the Fund will receive all cash payments received by Deutsche Bank AG from the underlying bonds. In addition, the Fund maintains the voting rights on the bonds. Both the Fund and Deutsche Bank AG can terminate the swap by giving the required one year's notice.

Note 8 Credit Default Swaps

The Fund has entered into credit default swap agreements, where the Fund purchases credit protection as follows:

As at 30 June 2007:

Maturity Date	Description	Notional US$	Fair Value US$
June 2012	CDS Single Name	25,000,000	535,315

Maturity Date Range	Description	Notional US$	Fair Value US$
June 2011 – December 2011	CDS Index	66,870,000	(1,269,842)
December 2011	CDS Single Name	9,060,350	(130,357)
			(1,400,199)

As at 31 December 2006:

Maturity Date	Description	Notional US$	Fair Value US$
June 2011	CDS Index	16,870,000	(958,074)
December 2011	CDS Single Name	15,500,000	(529,195)
			(1,487,269)

Note 9 Warehouse Agreement

The Fund has entered into a Warehouse Agreement, whereby it agrees to fund a portion of a warehouse loan facility used by an asset originator or manager to assemble assets in anticipation of a CDO transaction. The Fund assumes a share of the risk relating to the warehoused portfolio of underlying assets for which it receives its corresponding share of excess spread on the portfolio as well as any gains or losses that may arise in the event that the proposed CDO transaction does not close and the warehoused assets are liquidated. These are short-dated transactions, typically lasting for a few months prior to the closing of the CDO transaction in which the Fund will subsequently purchase part of the Equity. As at 30 June 2007, the Fund had potential additional commitments of US$1,817,112 (31 December 2006: US$17,894,984) under this agreement.

These balances are recorded at fair value under Investments in Securities in the Statement of Assets and Liabilities and are disclosed individually in the Schedule of Investments as Assets under Warehouse Agreements.

Note 10 Other Payables and Accrued Expenses

	30 June 2007 US$	31 Dec 2006 US$
Audit fee accrual	103,666	139,139
Legal and professional fees accrual	56,881	10,023
Directors' fee accrual	50,000	14,700
Administration fee accrual	54,803	35,396
Global offering costs	318,110	-
	583,460	199,258

Note 11 Share Capital

During the period the shareholders of the Fund passed a resolution amending its articles of association to modify, among other things, its capital structure. Prior to this resolution the Fund had an authorized share capital of US$100,000 divided into 10 Founder Shares, par value US$0.001 per share and 99,999,990 unclassified shares, par value US$0.001 per share. Unclassified shares were each available for issue as a Redeemable Preference Share, a Growth Share or a Nominal Share.

10 Founder Shares had been issued at par and were beneficially owned by the Principal Manager. The issued Redeemable Preference Shares were equal to the net assets of the Fund, when the Fund was an open ended investment company. These Redeemable Preference Shares were converted to non-voting shares (as described below) as result of this resolution.

No nominal shares were issued. Six Growth Shares were issued when the Fund was launched in 2005. Following the listing of the Guernsey Feeder on the Euronext Amsterdam Stock Exchange the Growth Shares ceased to be outstanding.

Authorized

After the change in the capital structure the Fund has an authorized share capital of $1,000,000 divided into 10 voting shares, having a par value of $0.001 each and 999,999,990 non-voting shares, having a par value of $0.001 each.

Voting shares and non-voting shares

All of the Funds voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. The Fund's non-voting shares are beneficially owned by the Tetragon Financial Group Limited (the "Guernsey Feeder") and Tetragon Financial Group LP (the "U.S. Feeder") in proportion to their relative capital. All shares are in registered form and no share certificates will be issued. The Voting Shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of Shareholders.

Dividend Rights

Dividends may be paid to the holders of Non-Voting Shares at the sole and at the absolute discretion of the Directors. The Voting Shares carry no rights to dividends.

Note 11 Share Capital (continued)

	Founder Shares No.	Growth Shares No.	Participating Shares No.
Shares in issue at 31 December 2005	10	6	828,485
Issued	-	-	4,104,238
Redeemed	-	-	(39,181)
Shares in issue at 31 December 2006	10	6	4,893,542
Issued	-	-	3,221,142
Redeemed	-	-	(451,950)
Ceased to be outstanding	(10)	(6)	-
Converted	-	-	(7,662,734)
Shares in issue at 30 June 2007	-	-	-

	Voting Shares No.	Non- Voting Shares No.
Shares in issue at 31 December 2006	-	-
Issued	10	30,000,000
Redeemed	-	-
Converted	-	95,453,035
Shares in issue at 30 June 2007	10	125,453,305

Note 12 Share Premium

	30 June 2007 US$	31 Dec 2006 US$
Balance at start of period/year	556,674,883	82,999,172
Premium arising from net issue of Ordinary Shares	599,693,997	473,675,711
Global offering expenses	(19,500,000)	-
Balance at end of period/year	1,136,868,880	556,674,883

Note 13 Dividends

	30 June 2007
	US$
Proposed interim dividend for the period ended 30 June 2007 of US$0.18485754 per share	23,190,989

The interim dividend was proposed by directors on 30 July 2007 and has not been included as a liability in these financial statements. The dividend per share includes $0.15 relating to a dividend to be distributed to investors in the Guernsey Feeder and the U.S. Feeder (together "the Feeders"), and $0.03485754 which is being transferred to enable the Feeders to pay the incentive fees due to the Investment Manager.

Note 14 Interest Income

	30 June 2007	30 June 2006
	US$	US$
Cash and short-term funds	6,292,982	730,931
Debt securities	86,348,954	12,913,662
	92,641,936	13,644,593

Note 15 Related Party Transactions

Polygon Credit Management LP, a Delaware limited partnership (the "Investment Manager") has been appointed to manage the Fund's investment programs. The investment activities of the Investment Manager are subject to the overall supervision, control and policies of the Directors.

Tetragon Financial Group Limited (the "Guernsey Feeder"), a Guernsey based closed-ended investment company which has been formed primarily for the benefit of non-U.S. persons and U.S. tax-exempt investors, invests substantially all of its assets in the Fund. The Guernsey Feeder has the same Investment Manager as the Fund.

Tetragon Financial Group Fund LP (the "U.S. Feeder"), a Delaware limited partnership which has been formed primarily for the benefit of U.S. taxable investors, invests substantially all of its assets in the Fund. The U.S. Feeder has the same Investment Manager as the Fund.

Note 15 Related Party Transactions (continued)

For the period from inception to 30 June 2006 the management fee was charged to the Fund, and the Guernsey Feeder and U.S. Feeder (together the "Feeders") as shareholders in the Fund, bore their proportionate shares of management fees payable by the Fund. As a result of the creation of a new Feeder share class with a different fee structure the management fee was then calculated at the Feeder level. With effect from 1 July 2006 the management fees were charged directly to the Guernsey Feeder and U.S. Feeder. After the closing of the global offering of the Guernsey Feeder on 26 April 2007 the management fees are paid by the Fund and allocated pro rata between the Guernsey Feeder and the U.S. Feeder, based on the Guernsey Feeder's and the U.S. Feeder's percentage ownership of the Fund.

For the period from 1 January 2006 to 25 April 2007, expenses which related wholly and specifically to the individual Feeders were charged to the Feeder to which they relate. After 26 April 2007 all fees and expenses of the Guernsey Feeder, the U.S. Feeder and the Fund, except for the incentive fees for the Investment Manager, are paid by the Fund and allocated pro rata between the Guernsey Feeder and the U.S. Feeder, based on the Guernsey Feeder's and the U.S. Feeder's percentage ownership of the Fund. An incentive fee is to be paid to the Investment Manager by each of the Guernsey Feeder and the U.S. Feeder.

The global offering of the Guernsey Feeder occurred on 26 April 2007. 30 million non-voting shares in the Guernsey Feeder were offered at a price of US$10 per share. The shares of the Guernsey feeder are listed on the Euronext stock exchange in the Netherlands.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Initially, the Directors' annual fee shall be $50,000, in compensation for service on the Boards of Directors of both the Guernsey Feeder and the Fund. The Fund will pay the Directors' fees. The Polygon Directors have waived their entitlement to a fee. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Guernsey Feeder or the Fund providing for benefits upon termination of employment.

Polygon Credit Holdings II Limited (the "Voting Shareholder") is an affiliate of Polygon and the Investment Manager and holds all of the Voting Shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Guernsey Feeder's Directors. Affiliates of Polygon also control the Investment Manager and, accordingly, control the Company's business and affairs.

Note 16 Change of Name

On 30 March 2007 the Fund changed its name from Tetragon Credit Income Master Fund Limited to Tetragon Financial Group Master Fund Limited.

Note 17 Approval of Financial Statements

The Directors approved the financial statements on 30 July 2007.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS

For the period ended 30 June 2007 (unaudited)

The following represents selected per share operating performance of the Fund, ratios to average net assets and total return information for the period ended 30 June 2007 and the year ended 31 December 2006.

	Participating Shares 25 April 2007 to 30 June 2007	Redeemable Preference Shares 1 Jan 2007 to 25 April 2007 US$	Redeemable Preference Shares 31 Dec 2006 US$
Per share operating performance			
Net asset value at start of period / year	9.84	123.86	103.08
Net investment income	0.25	7.26	20.87
Net realized and unrealized gain / (loss) from investments and foreign currencies	0.03	(0.21)	(0.09)
Net asset value at the end of the period / year	10.12	130.91	123.86
Total return	2.83%	5.69%	20.16%
Ratios and supplemental data			
Ratio to average net assets:			
Total operating expenses (see Note 15)	(0.56%)	(0.64%)	(3.26%)
Net investment income	2.49%	5.65%	17.10%

An individual shareholder's per share operating performance and ratios may vary from the above based on the timing of capital transactions.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS
As at 30 June 2007 (unaudited)

Security Description	Nominal / Shares	Cost US$	Fair Value US$	% of Net Assets
Cayman Islands				
ABS and Structured Finance	18,400,000	17,572,000	17,999,868	1.42%
Broadly Syndicated Senior Secured Loans	883,285,986	807,255,632	845,324,135	66.59%
CDOs Squared	28,284,000	52,156,250	54,902,484	4.33%
Middle Market Senior Secured Loans	215,060,210	219,797,145	228,878,655	18.03%
	1,145,030,196	1,096,781,027	1,147,105,142	90.37%
Ireland				
Broadly Syndicated Senior Secured Loans	127,400,000	155,916,581	169,588,042	13.36%
	127,400,000	155,916,581	169,588,042	13.36%
Luxembourg				
Broadly Syndicated Senior Secured Loans	65,100,000	80,651,697	90,071,366	7.10%
	65,100,000	80,651,697	90,071,366	7.10%
Assets under Warehouse Agreements				
Broadly Syndicated Senior Secured Loans	2,082,886	2,082,886	2,380,022	0.19%
	2,082,886	2,082,886	2,380,022	0.19%
Total Investments			1,409,144,572	111.02%
Cash and Cash Equivalents			216,211,291	17.03%
Other Assets and Liabilities			(356,037,997)	(28.05%)
Net Assets			1,269,317,866	100.00%

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

SCHEDULE OF INVESTMENTS
As at 31 December 2006

Security Description	Nominal / Shares	Cost US$	Fair Value US$	% of Net Assets
Cayman Islands				
ABS and Structured Finance	11,500,000	11,155,000	11,068,933	1.83%
Broadly Syndicated Senior Secured Loans	486,115,628	433,793,434	461,496,540	76.14%
CDOs Squared	28,250,000	27,096,250	30,027,906	4.95%
Middle Market Senior Secured Loans	108,203,134	134,095,085	139,705,788	23.05%
	634,068,762	616,139,769	642,299,167	105.97%
Ireland				
Broadly Syndicated Senior Secured Loans	53,300,000	62,053,218	68,609,346	11.32%
	53,300,000	62,053,218	68,609,346	11.32%
Luxembourg				
Broadly Syndicated Senior Secured Loans	40,100,000	48,390,166	53,274,458	8.79%
	40,100,000	48,390,166	53,274,458	8.79%
Assets under Warehouse Agreements				
Broadly Syndicated Senior Secured Loans	20,777,515	20777,515	21,077,077	3.48%
	20,777,515	20,777,515	21,077,077	3.48%
Total Investments			785,260,048	129.55%
Cash and Cash Equivalents			117,859,435	19.44%
Other Assets and Liabilities			(296,996,243)	(49.00%)
Net Assets			606,123,240	100.00%