

Etolian Capital Offshore Credit Fund, Ltd.

(A Cayman Islands Exempted Company)

Financial Statements

**January 22, 2003 (commencement
of operations) to December 31, 2003**

Etolian Capital Group, LP, the Commodity Pool Operator of Etolian Capital Offshore Credit Fund, Ltd., operates under a claim for exemption made pursuant to §4.7 of Regulations issued pursuant to the Commodity Exchange Act, as amended.

Affirmation Required by

Commodity Exchange Act, Regulation on §4.7(b)(3)(i)

I, George Handjinicolaou, hereby affirm that, to the best of my knowledge and belief, the information contained in the attached audited financial statements of Etolian Capital Offshore Credit Fund, Ltd. for the period January 22, 2003 (commencement of operations) through December 31, 2003 is accurate and complete.



By: George Handjinicolaou
Managing member, Etolian Capital Management, LLC
General Partner of Etolian Capital Group, LP,
Commodity Pool Operator for Etolian Capital
Offshore Credit Fund, Ltd.

March 23, 2004

Etolian Capital Offshore Credit Fund, Ltd.

(A Cayman Islands Exempted Company)

Index

December 31, 2003

	Page(s)
Report of Independent Auditors	1
Financial Statements	
Statement of Assets and Liabilities	2
Statement of Operations	3
Statement of Changes in Net Assets.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

Report of Independent Auditors

To the Board of Directors and Shareholders of
Etolian Capital Offshore Credit Fund, Ltd.
(A Cayman Islands Exempted Company)

We have audited the accompanying statement of assets and liabilities of Etolian Capital Offshore Credit Fund, Ltd. (the "Fund") as at December 31, 2003 and the related statements of operations, changes in net assets and cash flows for the period from January 22, 2003 (commencement of operations) to December 31, 2003. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 2 of the accompanying financial statements, costs incurred in the organization of the Fund amounting to \$35,600 have been deferred and are being amortized on a straight line basis over a 60 month period from the commencement of operations, whereas, in our opinion, it should have been fully expensed in accordance with accounting principles generally accepted in the United States of America. If the organization costs had been fully expensed, total assets and net assets of the Fund, would each have been decreased by \$28,480 at December 31, 2003 and consequently net increase in net assets resulting from operations would have been decreased by \$28,480 for the period January 22, 2003 (commencement of operations) through December 31, 2003.

In our opinion, except for the effects of the deferral and amortization of organizational costs as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 2003, and the results of its operations, changes in its net assets and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

March 23, 2004

Etolian Capital Offshore Credit Fund, Ltd.
(A Cayman Islands Exempted Company)
Statement of Assets and Liabilities
December 31, 2003

(expressed in United States dollars)

Assets	
Investment in Etolian Capital Offshore Master Fund, Ltd. (cost \$1,014,666)	\$ 1,132,152
Other assets	28,480
Total assets	<u>1,160,632</u>
Liabilities	
Incentive fees payable	\$ 7,067
Due to affiliates	28,480
Bank overdraft	40
Total liabilities	<u>35,587</u>
Net Assets	
Net assets consist of	
Share capital (5,000,000 shares authorized, 10,150 issued and outstanding; par value \$0.01)	\$ 102
Paid-in capital	1,014,898
Retained earnings	110,045
Net assets	<u>1,125,045</u>
Net asset value per share (Note 3)	

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

Etolian Capital Offshore Credit Fund, Ltd

(A Cayman Islands Exempted Company)

Statement of Operations

January 22, 2003 (Commencement of Operations) to December 31, 2003

(expressed in United States dollars)

Net investment income allocated from Etolian Capital Offshore Master Fund Ltd.	
Interest income	\$ 97,310
Dividend	316
	<hr/>
	97,626
Expenses	
Brokerage commission	1,050
Interest expense	30,129
Administrative and research expenses	27,468
	<hr/>
Total expenses before waiver	58,647
Waiver of expenses (Note 2)	(27,468)
	<hr/>
Total expenses	31,179
	<hr/>
Net investment income from Etolian Capital Offshore Master Fund, Ltd.	66,447
Fund income	
Interest on cash balance	16
	<hr/>
Fund expenses	
Incentive fee	7,067
Management fees	3,125
Audit fees	11,000
Directors' fees	9,153
Organizational and operating expenses	7,510
	<hr/>
Total fund expenses before waiver	37,855
Waiver of fees and expenses (Note 2)	(30,398)
	<hr/>
Total fund expenses	7,457
	<hr/>
Net investment income	59,006
	<hr/>
Net realized and unrealized gain allocated from Etolian Capital Offshore Master Fund, Ltd.	
Net realized gain on investments	63,913
Net unrealized depreciation on investments	(12,874)
	<hr/>
Net gain on investments	51,039
	<hr/>
Net increase in net assets resulting from operations	\$ 110,045
	<hr/>

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

Etolian Capital Offshore Credit Fund, Ltd.
(A Cayman Islands Exempted Company)
Statement of Changes in Net Assets
January 22, 2003 (Commencement of Operations) to December 31, 2003

(expressed in United States dollars)

Increase/(decrease) in net assets resulting from operations	
Net investment income	\$ 59,006
Net realized gain on investments from Etolian Capital Offshore Master Fund, Ltd.	63,913
Net unrealized depreciation from	
Etolian Capital Offshore Master Fund, Ltd.	(12,874)
Net increase in net assets resulting from operations	<u>110,045</u>
Net increase from capital share transactions	
Shareholder subscriptions (10,150 shares)	<u>1,015,000</u>
Net increase from capital share transactions	<u>1,015,000</u>
Total increase in net assets	1,125,045
Net assets	
Beginning of the period	
End of the period	<u>\$ 1,125,045</u>

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

Etolian Capital Offshore Credit Fund, Ltd.

(A Cayman Islands Exempted Company)

Statement of Cash Flows

January 22, 2003 (Commencement of Operations) to December 31, 2003

(expressed in United States dollars)

Cash flows from operating activities	
Net increase in net assets resulting from operations	\$ 110,045
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities	
Purchases of investments in Etolian Capital Offshore Master Fund, Ltd.	(1,014,666)
Allocated share of net investment income from Etolian Capital Offshore Master Fund Ltd.	(66,447)
Increase in due to affiliates	28,480
Increase in other assets	(28,480)
Increase in incentive fees payable	7,067
Net realized gain on investments allocated from Etolian Capital Offshore Master Fund, Ltd.	(63,913)
Net unrealized depreciation on investments allocated from Etolian Capital Offshore Master Fund, Ltd.	12,874
Net cash used in operating activities	<u>(1,015,040)</u>
Cash flows from financing activities	
Shareholder subscriptions	1,015,000
Bank overdraft	40
Net cash provided by operating activities	<u>1,015,040</u>
Net increase in cash	-
Cash and cash equivalents	
Beginning of period	-
End of period	<u>\$ -</u>

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

Etolian Capital Offshore Credit Fund Ltd.

(A Cayman Islands Exempted Company)

Notes to Financial Statements

December 31, 2003

1. Organization

Etolian Capital Offshore Credit Fund, Ltd. (the "Fund") is a Cayman islands exempted company. The Fund was incorporated in the Cayman Islands on September 12, 2002 and commenced operations on January 22, 2003. The Fund is governed by its Articles of Incorporation dated December 6, 2002. The Fund invests substantially all of its investable assets through a "master-feeder" structure in Etolian Capital Offshore Master Fund, Ltd. (the "Master Fund"), a Cayman Islands exempted limited company having the same investment objectives as the Fund. The investment objective of the Fund is to provide stable and superior return that are uncorrelated with the equity and fixed income markets. The Fund invests all or substantially all of its assets in the Master Fund. The value of the Fund's investment in the Master Fund reflects the value of the Master Fund's capital balance held by the Fund at December 31, 2003. The Fund held 26.08% of the Master Fund's capital at December 31, 2003. The performance of the Fund is directly affected by the performance of the Master Fund. The financial statements of the Master Fund are attached to this report and should be read in conjunction with the Fund's financial statements.

The Board of Directors (the "Directors") have overall responsibility for the affairs of the Fund.

Etolian Capital Group, LP (the "Investment Manager"), a Delaware limited partnership, is the Investment Manager of the Fund and the Master Fund. The general partner of the Investment Manager is Etolian Capital Management, LLC, a Delaware limited liability company. George Handjinicolaou, Larry Hirshik and Yiannis Tsiounis are the managing members of Etolian Capital Management, LLC and portfolio managers of the Investment Manager. The Investment Manager is registered as a "commodity pool operator" with the Commodity Futures Trading Commission (the "CFTC").

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities and revenue and expenses during the reporting period. The Fund's management believes the estimates are reasonable and prudent; however, actual results may differ from these estimates.

Investments

Accounting

The Fund records investments in the Master Fund and Fund level security and derivative instruments, if any, on a trade/contract date basis.

Valuation

The Fund's investment in the Master Fund is valued at the Fund's proportionate interest in the Net Assets of the Master Fund. The performance of the Fund is directly affected by the performance of the Master Fund. The attached audited financial statements of the Master Fund include the Master Fund's valuation and significant accounting policies. The proportionate share of earnings of the

Etolian Capital Offshore Credit Fund Ltd.
(A Cayman Islands Exempted Company)
Notes to Financial Statements
December 31, 2003

Master Fund is included in the Fund's Statement of Operation; detail of such earnings is included in the Master Fund's financial statements.

Income and Expense Recognition

The Fund records its proportionate share of the Master Fund's investment income, investment expenses, operating expenses, and realized and unrealized gains and losses. The Master Fund's income recognition, expense recognition and net profit or loss allocation policies are discussed in the Master Fund's Notes. In addition, the Fund accrues its own expenses. Expenses that are directly attributable to the Fund are recorded on the accrual basis as incurred.

Organization Costs and Operating Expenses Waiver

The Fund is responsible for costs incurred in its organization as well as its investment and operating activities. Total organizational costs for the Fund for the period January 22, 2003 to December 31, 2003 amounted to \$35,600. The Investment Manager has elected to waive the organizational costs for the Fund amounting to \$7,120. The balance of \$28,480 have been deferred as other assets and is being amortized on a straight line basis over a period of 60 months from the commencement of the Fund's operations.

In accordance with generally accepted accounting principles in the United States of America (statement of position 98-5), costs of start-up activities, including organization costs, should be expensed as incurred. If organizational costs had been fully expensed, the assets and net investments income of the Fund would have decreased by \$28,480.

For the period ended December 31, 2003, the Investment Manager has elected to waive the Fund's proportionate share of Master Fund's administrative and research expenses amounting to \$27,468 and the Fund's audit fee amounting to \$11,000.

The Directors affiliated with the Investment Manager serve without compensation from the Fund, and Directors not affiliated with the Investment Manager are compensated by the Fund. Non-affiliated directors' fees for the period ended December 31, 2003 borne by the Investment Manager amounted to \$9,153.

At December 31, 2003, the cumulative organizational and operating expenses borne by the Investment Manager together with the management fee waived as mentioned in Note 4, amounted to \$57,866 (\$27,468 waived at the Master Fund level and \$30,398 waived at the Fund level).

Income Taxes

Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Fund. As a result, no provision for income taxes has been made in the account. Individual shareholders may be taxed on their proportionate share of the Fund's income based on their individual circumstances.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short term investments with maturities of three months or less.

Etolian Capital Offshore Credit Fund Ltd.

(A Cayman Islands Exempted Company)

Notes to Financial Statements

December 31, 2003

3. Share Capital

Classes of shares/series of shares

The authorized share capital of the Fund consists of 5,000,000 Common Shares having a par value of \$0.01 per share. The Fund's Common Shares are divided into two classes, "Class A" shares and "Class B" shares and the subscription price for each series of each class of Common Shares is \$100 per share. The Fund has established and issued a separate series of shares within each class for purpose of determining and paying the incentive fees.

Class A shares are available only to investors that are deemed eligible under the rules established by the U.S. National Association of Securities Dealers, Inc. ("NASD") to participate in "new issues" and Class B shares are issued to those investors who fall within the prohibition of the NASD rules to participate in "new issues". There was no "new issue" income allocated to Class A for the period January 22, 2003 to December 31, 2003.

Subscriptions

The Fund may admit new shareholders and accept additional subscriptions by existing shareholders on the first business day of each calendar quarter; however the Fund reserves the right, in its sole discretion, to accept subscriptions at other times.

The minimum initial subscription of each investor is \$100,000 subject to change at the sole discretion of the Board of Directors, but not below \$50,000. Subscriptions for common shares can be made in cash or, in the sole discretion of the Fund, in securities or partly in cash and partly in securities.

Redemptions

Shareholders are restricted in their ability to redeem shares of the Fund. Generally, a shareholder may redeem shares as of the last business day of each calendar quarter on at least 60 calendar days' prior written notice. If a shareholder redeems all or any portion of its common shares within the first year of making its initial subscription into the Fund, then such redemption is subject to a redemption charge for the benefit of the Fund, unless waived. The payment of the redemption amount will be subject to the retention of reserve for Fund liabilities and for other contingencies in such amount as will be determined by the Fund in its discretion. On partial redemptions of less than 90% of a Shareholder's holdings of Common Shares, the redemption amount will generally be paid within 30 days.

At the end of each fiscal year, each outstanding series of a Class which does not have a loss carryforward as at the end of that fiscal year may be converted into one of such series, or into a newly created series, as determined by the Administrator in consultation with the Investment Manager. Any series which as at the end of a fiscal year has a loss carryforward shall remain outstanding and shall not be converted into any other series until the end of a fiscal year as at which that series has no loss carryforward.

Allocation of Fund profits and losses

Generally, Class A and Class B shares are allocated the class' pro-rata share of the Fund's profits and losses, based on their relative net assets. Similarly, the series of each class are allocated the series' pro-rata share of the Fund's profits and losses, based on their relative net assets. Incentive fees are charged to the series as described in Note 4 below.

Etolian Capital Offshore Credit Fund Ltd.
(A Cayman Islands Exempted Company)
Notes to Financial Statements
December 31, 2003

For the period ended December 31, 2003, common share transactions for the period ended December 31, 2003 and the net asset value per share at December 31, 2003, are as follows:

Class A	Subscriptions (Shares)	Redemptions (Shares)	Shares Outstanding	Net Asset Value per Share
Series 1	2,150		2,150	\$ 111.8627
Series 2	5,000	-	5,000	111.2522
	<u>7,150</u>	<u>-</u>	<u>7,150</u>	

Class B Shares	Subscriptions (Shares)	Redemptions (Shares)	Shares Outstanding	Net Asset Value per Share
Series 1	1,000		1,000	\$ 109.0530
Series 2	2,000	-	2,000	109.6066
	<u>3,000</u>	<u>-</u>	<u>3,000</u>	

4. Management Fees and Incentive Fees

Management Fees

The Fund pays the Investment Manager a quarterly management fee (the "Management Fee"), at an annual rate of 1.5% of the aggregate net asset value of all series of classes (prior to accrual of incentive fee, if any). The Management Fee is payable quarterly in advance based on the value of the net assets of the Fund as of the first business day of each calendar quarter.

The fund, with the consent of the Investment Manager, may waive or modify the Management Fee for shareholders that are members employees or affiliates of the Investment Managers' relatives of such persons, and for certain large or strategic investors. During the period ended December 31, 2003, Management Fee amounting to \$3,125 was waived in respect of all series of classes. There is no Management Fee charged at the Master Fund level.

Incentive Fees

For each fiscal year, the Investment Manager also earns an Incentive Fee of an amount equal to 20% of the net profits (including realized and unrealized gains), if any, during such fiscal year allocable to each series of shares, subject to a loss carry-forward. The Incentive Fee is calculated and accrued with respect to each series of each date on which the net asset value of such series is determined. The Fund, with the consent of the Investment Manager, may waive or modify the Incentive Fee for Shareholders that are members, employees or affiliates of the Investment Manager, relatives of such persons, and for certain large or strategic investors.

There is no Incentive Fee charged at the Master Fund level.

Etolian Capital Offshore Credit Fund Ltd.
(A Cayman Islands Exempted Company)
Notes to Financial Statements
December 31, 2003

5. Related Party Transactions

The administrator of the Fund and the Master Fund is Citco Fund Services (Bermuda) Limited (the "Administrator"). Two affiliates of the Administrator, are directors of the Fund and the Master Fund. The Administrator performs aspects of the Fund and Master Fund's operations and administration pursuant to a service agreement. All capital subscriptions and withdrawals reports and communications, relating to the Fund are effected by or through the Administrator.

6. Financial Instrument Risk and Other Risk

Off-balance sheet risk including market risk, credit risk and leverage risk are discussed in the Master Fund's Notes.

Due to the nature of the "master-feeder" structure, the Fund may be materially affected by the actions of other Feeder Funds investing in the Master Fund. As discussed in the Master Fund's Notes, there was one other Investment Fund invested in the Master Fund at December 31, 2003.

At December 31, 2003, the Fund had two shareholders who individually owned a significant portion of the Fund.

7. Risks and Indemnifications

In addition to the risks referred to above, the Fund and the Master Fund is subject to a variety of business risks in the conduct of its operations. In the normal course of business the Fund and the Master Fund enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

8. Financial Highlights

The following information is required by and prepared in accordance with accounting principles generally accepted in the United States of America. An individual investor's return may differ because of certain factors including the timing of subscriptions and redemptions.

Etolian Capital Offshore Credit Fund Ltd.
(A Cayman Islands Exempted Company)
Notes to Financial Statements
December 31, 2003

Per share operating performance*	For the period ended December 31, 2003	
	Class A1	Class B1
Opening NAV	100.00	100.00
Net investment income	7.09	7.31
Realized/unrealized gains	4.78	1.74
Ending NAV	111.87	109.05
Total return		
Total return prior to incentive fees	11.87 %	11.32 %
Total return after incentive fees	11.87 %	9.05 %
Supplemental ratios**		
Ratio of expense to average net assets prior to incentive fees	3.77 %	3.00 %
Ratio of expense to average net assets after incentive fees	3.77 %	5.18 %
Ratio of expenses to average net assets after incentive fees and before waiver of fees and expenses	11.05 %	8.37 %
Net investment income as percentage of average net assets prior to incentive fees	7.73 %	6.33 %
Net investment income as percentage of average net assets after incentive fees	7.73 %	4.15 %
Net investment income as a percentage of average net assets after incentive fees but before waiver of expenses	0.45 %	0.97 %

* The per share amounts and percentages include the Fund's proportionate share of the income and expenses of the master fund.

** Ratios of expense and net investment income have been annualized except for non-recurring expenses and incentive fees.

9. Subsequent Events

For the period from January 1, 2004 to March 19, 2004, there were capital share subscriptions of \$6,000,000 and redemptions of \$140,000 by the shareholders.