

Aurum Fortress Fund Ltd.

Annual Report and Audited Financial Statements

For the year ended 31 December 2010

Aurum Fortress Fund Ltd.

Annual Report and Audited Financial Statements

Contents

	Page
Directors and service providers	1
Directors' report	3
Independent Auditor's report to the members	4
Portfolio Statement as at 31 December 2010	5
Portfolio Statement as at 31 December 2009	6
Statement of Comprehensive Income for the year ended 31 December 2010	7
Statement of Financial Position as at 31 December 2010	8
Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2010	9
Statement of Cash Flows for the year ended 31 December 2010	10
Notes to the Financial Statements	11

Aurum Fortress Fund Ltd.

Directors and service providers

Company	Aurum Fortress Fund Ltd. Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164
Directors	Dudley R Cottingham W Roger Davidson* Tina Gibbons Clifford J Gundle Adam Hopkin Christopher C Morris S Arthur Morris Meliosa O'Caoimh*
Custodian	Northern Trust Fiduciary Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920
Promoter and Investment Advisor	Aurum Fund Management Ltd. Aurum House 35 Richmond Road P.O. Box HM 1806 Hamilton HM 08 Bermuda Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164
Administrator	Northern Trust International Fund Administration Services (Ireland) Limited George's Court 54 - 62 Townsend Street Dublin 2 Ireland Tel: (353) (1) 542 2000 Fax: (353) (1) 542 2920

*Non-Executive Directors

Aurum Fortress Fund Ltd.

Directors and service providers (continued)

**Bermuda
Administrator,
Registrar and
Secretary**

Global Fund Services Ltd.
Century House
16 Par-la-Ville Road
P.O. Box HM 1806
Hamilton HM 08
Bermuda

Tel: (1) (441) 292 7478
Fax: (1) (441) 295 4164

**Independent
Auditor**

KPMG
Chartered Accountants
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Tel: (353) (1) 410 1000
Fax: (353) (1) 412 2722

**Sponsoring
Broker for
Bermuda Stock
Exchange**

Continental Sponsors Ltd.
Century House
16 Par-la-Ville Road
P.O. Box HM 1806
Hamilton HM 08
Bermuda

Tel: (1) (441) 292 7478
Fax: (1) (441) 295 4164

**Sponsoring
Broker for
Irish Stock
Exchange**

J&E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

Tel: (353) (1) 614 8933
Fax: (353) (1) 661 3042

**Legal
Advisors in
Matters of
Bermuda Law**

Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
P.O. Box HM 666
Hamilton HM CX
Bermuda

Tel: (1) (441) 295 1422
Fax: (1) (441) 292 4720

Aurum Fortress Fund Ltd.

Directors' Report

The Directors have the pleasure to present the audited annual accounts of Aurum Fortress Fund Ltd. (the "Company") for the year ended 31 December 2010 and report as set out herein in respect of matters required by the Irish Stock Exchange and Bermuda Stock Exchange listing regulations.

At 31 December 2010, the Net Asset Value per Participating Share was US\$236.06 (2009: US\$225.29).

No dividends have been declared in the year ended 31 December 2010 (2009: US\$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2010 (2009: US\$Nil).

Review

Aurum Fortress Fund Ltd. returned 4.78% for the year ended 31 December 2010. The portfolio protected capital well in the first half of the year, a period where equity markets and many hedge fund strategies fell substantially. Having been in positive territory at the end of the first quarter, equity markets plunged in May and June. The MSCI World Index was down 10.9% to 30 June 2010. After a difficult start, Aurum Fortress saw substantially improved returns in the second half of the year with all strategies contributing to the year's gains. The largest contributors were macro, equity strategies and fixed income.

Outlook

Aurum Fortress Fund Ltd. has generated a 7.42% compound annual return since inception over 10 years ago. We remain confident in the ability of the Fund's long-established and highly experienced managers to successfully navigate the continued high levels of volatility and to deliver attractive risk-adjusted returns over the longer term.

Thanks

We thank the shareholders for their support and look forward to further opportunities for continued growth.


Dudley R Cottingham
Director

3 May 2011

Aurum Fortress Fund Ltd.

Independent Auditor's Report to the Members of Aurum Fortress Fund Ltd.

We have audited the accompanying financial statements of Aurum Fortress Fund Ltd. (the "Company"), which comprise the Statement of Financial Position and Portfolio Statement as at 31 December 2010 and the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Participating Shares and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the shareholders of the Company, as a body, in accordance with the terms of our engagement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for the audit work, for the report or for the opinion we have formed.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

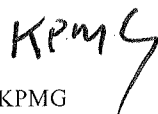
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG
Chartered Accountants

1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland
3 May 2011

Aurum Fortress Fund Ltd.

Portfolio Statement as at 31 December 2010

Sector Analysis	US\$	% of Fund	US\$	% of Fund
Multi Strategy - Diversified			6,497,992	20.08
Fund 1	3,267,671	10.10		
Fund 2	3,230,321	9.98		
Macro - Diversified			10,539,968	32.58
Fund 3	4,043,913	12.50		
Fund 4	3,490,663	10.79		
Fund 5	3,005,392	9.29		
Systematic - Diversified			2,638,407	8.15
Fund 6	2,638,407	8.15		
Fixed Income - Diversified			3,063,500	9.47
Fund 7	3,063,500	9.47		
Equity - Diversified			9,106,257	28.14
Fund 8	3,674,410	11.36		
Fund 9	2,570,703	7.94		
Fund 10	2,463,911	7.61		
Fund 11	355,545	1.10		
Fund 12	34,405	0.11		
Fund 13	7,283	0.02		
Event Driven - Diversified			2,500,000	7.73
Fund 14	2,500,000	7.73		
Total investments	34,346,124	106.15	34,346,124	106.15
Other assets			4,481	0.01
Total Assets			34,350,605	106.16
Other liabilities			(1,992,706)	(6.16)
Net Assets			32,357,899	100.00

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Portfolio Statement as at 31 December 2009

Sector Analysis	US\$	% of Fund	US\$	% of Fund
Macro - Directional			9,303,089	33.11
Fund 1	3,457,944	12.31		
Fund 2	2,872,427	10.22		
Fund 3	1,944,572	6.92		
Fund 4	1,028,146	3.66		
Macro - Multi Strategy			2,484,725	8.84
Fund 5	2,484,725	8.84		
Equity - Fundamental			3,853,533	13.71
Fund 6	3,113,066	11.08		
Fund 7	391,546	1.39		
Fund 8	348,921	1.24		
Equity - Trading			3,505,676	12.48
Fund 9	3,232,495	11.51		
Fund 10	241,667	0.86		
Fund 11	31,514	0.11		
Multi Strategy - General			3,008,848	10.71
Fund 12	3,008,848	10.71		
Fixed Income - Multi Strategy			2,749,302	9.79
Fund 13	2,749,302	9.79		
Systematic - Multi Strategy			2,001,813	7.13
Fund 14	2,001,813	7.13		
Total investments	26,906,986	95.77	26,906,986	95.77
Other assets			1,250,453	4.45
Total Assets			28,157,439	100.22
Other liabilities			(62,796)	(0.22)
Net Assets			28,094,643	100.00

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Statement of Comprehensive Income for the year ended 31 December 2010

2009 US\$	Notes	2010 US\$
	2	
Income from financial assets at fair value through profit or loss		
(1,777,693) Net unrealised capital gain/(loss) on investments		1,782,264
4,884,487 Net realised capital gain on investments		405,088
3,106,794 Total income from financial assets at fair value through profit or loss		2,187,352
	2	
Expenses		
497,027 Investment advisory fee	3	616,140
24,632 Administration fee	4	30,038
10,835 Custodian fee	5	13,225
6,153 Sub-custodian fee		2,388
30,000 Directors' fees		30,000
7,868 Audit fee		7,108
4,109 Net interest expense		666
67,857 Other operating expenses		31,052
648,481 Operating expenses		730,617
Change in net assets attributable to holders of Participating Shares		
2,458,313 resulting from operations		1,456,735

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Statement of Financial Position as at 31 December 2010

2009 US\$		Notes	2010 US\$
	Assets		
	Financial assets at fair value through profit or loss		
26,906,986	Investments at fair value	2	34,346,124
	Loans and receivables		
1,248,485	Cash and cash equivalents	2	543
1,968	Other debtors		3,938
28,157,439	Total Assets		34,350,605
	Liabilities		
	Financial liabilities measured at amortised cost		
46,906	Investment advisory fee		54,033
2,925	Administration fee		3,221
1,011	Custodian fee		1,140
4	Bank overdraft	2,7	1,921,890
11,950	Other payables		12,422
62,796	Total Liabilities (excluding amounts attributable to holders of Participating Shares)		1,992,706
28,094,643	Net Assets attributable to holders of Participating and Sponsor Shares	6	32,357,899
28,094,633	Net Assets attributable to holders of Participating Shares	8	32,357,889
10	Net Assets attributable to holders of Sponsor Shares	6	10
124,702.02	Participating Shares outstanding (number of shares)	6	137,077.68
225.29	Net Asset Value per Participating Share	8	236.06

These financial statements were approved by the Directors on 3 May 2011 and signed on their behalf by:



D.R. Cottingham

Director



C.C. Morris

Director

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2010

	Total US\$
Balance at 1 January 2010	28,094,633
Change in net assets attributable to holders of Participating Shares resulting from operations	1,456,735
Subscriptions during the year	4,215,000
Redemptions during the year	(1,408,479)
Balance at 31 December 2010	32,357,889
Balance at 1 January 2009	25,720,117
Change in net assets attributable to holders of Participating Shares resulting from operations	2,458,313
Subscriptions during the year	12,909,431
Redemptions during the year	(12,993,228)
Balance at 31 December 2009	28,094,633

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Statement of Cash Flows for the year ended 31 December 2010

2009 US\$		2010 US\$
	Cash flows from operating activities	
2,458,313	Change in net assets attributable to holders of participating shares resulting from operations	1,456,735
	Adjustment for non cash items	
(3,106,794)	Net gain on investments	(2,187,352)
	Changes in operating assets and liabilities	
(1,968)	Increase in debtors	(1,970)
145	Increase in creditors	8,024
(650,304)	Net cash used in operating activities	(724,563)
	Cash flows from investing activities	
(19,725,931)	Purchase of investments	(8,031,613)
24,379,173	Proceeds from sales of investments	2,779,827
4,653,242	Net cash (outflow)/inflow from investing activities	(5,251,786)
	Cash flows from financing activities	
12,909,431	Issue of shares	4,215,000
(12,993,228)	Redemption of shares	(1,408,479)
(83,797)	Net cash inflow/(outflow) from financing activities	2,806,521
3,919,141	Net (decrease)/increase in cash and cash equivalents	(3,169,828)
(2,670,660)	Cash and cash equivalents at the beginning of the year	1,248,481
1,248,481	Cash and cash equivalents at the end of the year	(1,921,347)
	Supplementary Information	
(8,861)	Net interest paid	(666)

The accompanying notes form part of these financial statements.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010

1 General

Aurum Fortress Fund Ltd. (the “Company”) was incorporated in the British Virgin Islands as an open ended fund on 18 December 1998 and was re-domiciled to Bermuda on 1 December 2003 under the Companies Act 1981 as amended and acts as an investment company.

The Company’s investment objective is to achieve long-term capital growth by investing either directly or indirectly through selected funds or investment managers, in a strategically determined mix of global fixed income securities, equity securities, derivative securities, currencies and other investment assets with an emphasis on long-term growth.

The audited financial statements were approved by the Board of Directors on 3 May 2011.

2 Principal Accounting Policies

The principal accounting policies which have been applied are set out below.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Basis of Preparation

The financial statements are presented in the currency of the primary economic environment in which the Company operates, which is the US dollar, reflecting the fact that the redeemable Participating Shares are issued in US dollars and the Company’s operations are primarily conducted in US dollars. They are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. All other assets and liabilities are stated at amortised cost.

The accounting policies have been applied consistently by the Company and are consistent with those used in the previous year.

Changes in accounting policy and disclosures

During the year, the IASB approved amendments to a number of existing standards as a result of the improvements project and issued several new standards. The objectives of the improvements project were to reduce or eliminate alternatives, redundancies and conflicts within the standards, to deal with some convergence issues and to make other improvements.

The Directors are of the belief that there has been no material impact of these and other revised standards on the current year’s financial statements.

There are a number of other IFRS and interpretations which were in issue but have not been applied in the financial statements as they are not yet effective. The Directors anticipate that the adoption of these standards will have no material impact on the financial statements of the Fund.

However, IFRS 9 (Financial Instruments) issued in November 2009 (IFRS 9 (2009)) will change the classification of financial assets and liabilities. The standard is not expected to have an impact on the measurement basis and classification of the financial assets since the majority of the Company’s financial assets are measured at fair value through profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2013 subject to EU endorsement. Earlier application is permitted. The Company does not plan to adopt this standard early.

Investments

The Company, on initial recognition, designates all investments as at fair value through profit or loss as, in doing so, it results in more relevant information because the investments and related liabilities are managed as a group of financial assets and liabilities and performance is evaluated on a fair value basis and reported to key management personnel on that basis.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

2 Principal Accounting Policies (continued)

Investments (continued)

Investments in collective investment schemes are recorded at the net asset value per share as reported by the administrators of such funds. Investment transactions are recorded on a settlement date basis which is the date of cash subscription of the investment or the date cash is received from redemption of an investment. Realised capital gains and losses on investment transactions are determined on the weighted average cost basis and are included in the Statement of Comprehensive Income. Unrealised capital gains and losses from a change in the fair value of investments are recognised in the Statement of Comprehensive Income.

The Company may invest in Funds advised by Aurum Fund Management Ltd. and these Funds are referred to as “Aurum Funds” or “other Aurum Funds”.

Where administrators are unable to provide net asset value per share, the Directors make their own assessment of value based on available information. In determining fair value, the Directors take into consideration where applicable, the impact of suspensions of redemptions, liquidation proceedings, investments in side pockets and any other significant factors.

There were no instances wherein the administrator was unable to provide the net asset value per share or that the Directors made any adjustments to the fair value. The disclosures of the risks of the funds are in Note 10 “Financial Instruments and Risk Exposure”.

Under IFRS, Participating Shares are treated as a financial liability and the format of the Statement of Financial Position reflects this position.

Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates in effect at the date of the financial statements. Transactions in foreign currencies are translated into US dollars based on exchange rates on the date of the transaction.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing instruments on an effective interest basis.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held at banks together with bank overdrafts. The bank overdrafts are repayable on demand and form an integral part of the Company’s cash management system.

Taxation

The Company has received an undertaking from the Ministry of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 exempting the Company from income, profit, capital transfer or capital taxes, should taxes be enacted, until 28 March 2016.

Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Use of Estimates

The preparation of financial statements in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

2 Principal Accounting Policies (continued)

Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or are surrendered. Assets that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as at the settlement date. The Company uses the weighted average cost basis to determine the realised gain or loss on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3 Investment Advisory Fee and Incentive Fee

The Company pays the Investment Advisor (i) a monthly advisory fee of 0.16666% (equivalent to approximately 2% per annum) of the Net Asset Value of the Company as at the relevant month end; and (ii) a monthly incentive fee of 15% of the increase, if any, of the Net Asset Value of each of the participating shares of the Company as at the end of each month (adjusted for subscriptions and redemptions), over the Base value of the Company (adjusted for subscriptions and redemptions), increased by a factor of 0.83333% (equivalent to approximately 10% per annum) for each month (except in the case of subscriptions the first two months from subscription date) that has expired since the Base Date (or later subscription or redemption date), or if higher the Net Asset Value of each of the participating shares of the Company adjusted for subscriptions and redemptions on the last date in respect of which an incentive fee was paid (the high water mark in respect of the Company). The Base Date is the 31 December immediately prior to the month end and the Base Value is the Net Asset Value of the participating shares of the Company as at that date. These fees are calculated before all Investment Advisor, Administrators, Custodian fees, Directors' fees, audit fees, formation and sundry expenses for the month concerned are deducted and are paid monthly in arrears. In so far as the Company invests in other Aurum Funds, no fees will be payable on the amount so invested. From 1 January 2010, for case of calculation, the Net Asset Value per Participating Share is utilised for the calculation of the incentive fee, if any, in place of the Net Asset Value of the Company. This adjustment makes no material difference in the fee.

4 Bermuda Administrator, Registrar, Secretary and Administrator Fees

The Company pays to the Secretary, Bermuda Administrator and Registrar and the Administrator and Sub-Registrar (collectively the "Administrators") an annual fee of US\$1,500 plus a monthly fee which, subject to a minimum, will be no greater than 1/12 of 0.10% of the Net Asset Value of the Company. These fees are calculated before all fees payable to the Investment Advisor, Administrators and Custodian fees, Directors' fees, audit fees, formation and sundry expenses for the month concerned are deducted and are paid monthly in arrears and are subject to a US\$2,000 minimum per month and may be subject to reduction if the total Administration Fees from Aurum related Funds exceed specified limits. In so far as the Company invests in other Aurum Funds, no fees will be payable on the amount so invested, but the minimum will remain applicable.

5 Custodian Fee

The Company pays to the Custodian a monthly fee no greater than 1/12 of 0.05% of the Net Asset Value of that part of the assets of the Company entrusted to the care of the Custodian. This fee is calculated before all fees payable to the Investment Advisor, Administrators, Custodian and Directors, audit fees, formation and sundry expenses for the month concerned is deducted and is paid monthly in arrears and is subject to a US\$1,000 minimum per month and may be subject to reduction if the total Custodian Fees from Aurum related Funds exceed specified limits. In addition, the Custodian shall receive from the Company a transaction fee for each transaction conducted pursuant to the Custodian Agreement. In so far as the Company invests in other Aurum Funds, no fees will be payable on the amount so invested, but the minimum will remain applicable.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

6 Share Capital

	December 2010 US\$	December 2009 US\$
Authorised share capital of US\$0.01 par value per share		
1,000 Sponsor Shares	10	10
4,999,000 Participating Shares	49,990	49,990
	50,000	50,000

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Advisor. The Sponsor Shares do not carry the right to participate in the assets of the Company in a winding up, except to the extent of repayment of par value paid in cash, nor in any dividends or other distribution of the Company so long as any Participating Shares are in issue.

The Participating Shares are entitled to receive, to the exclusion of the Sponsor Shares, any dividends which may be declared by the Board of the Company and, upon the winding up of the Company, their par value and any surplus remaining after paying to the holders of the Sponsor Shares the par value of the Sponsor Shares (to the extent actually paid up in cash). The Sponsor Shares have the general voting powers of the Company and the holders of Participating Shares are entitled to receive notice of and attend all general meetings of the members.

	Number of Participating Shares		Number of Participating Shares
Opening at 1 January 2010	124,702.02	Opening at 1 January 2009	126,624.73
Issued during the year	18,561.74	Issued during the year	58,573.96
Redeemed during the year	(6,186.08)	Redeemed during the year	(60,496.67)
Closing at 31 December 2010	137,077.68	Closing at 31 December 2009	124,702.02

Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares US\$	Participating Shares US\$	Share Premium US\$	Return allocated to Participating Shareholders US\$	Total US\$
Balance at 1 January 2010	10	1,247	11,941,769	16,151,617	28,094,643
Change in net assets attributable to holders of participating shares				1,456,735	1,456,735
Subscriptions during the year		186	4,214,814		4,215,000
Redemptions during the year		(62)	(1,408,417)		(1,408,479)
Balance at 31 December 2010	10	1,371	14,748,166	17,608,352	32,357,899
Balance at 1 January 2009	10	1,266	12,025,547	13,693,304	25,720,127
Change in net assets attributable to holders of participating shares				2,458,313	2,458,313
Subscriptions during the year		586	12,908,845		12,909,431
Redemptions during the year		(605)	(12,992,623)		(12,993,228)
Balance at 31 December 2009	10	1,247	11,941,769	16,151,617	28,094,643

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

7 Bank Overdraft

The Company has a facility with Northern Trust (Guernsey) Limited and any outstanding bank overdraft is secured over the portfolio of the Company.

8 Net Asset Value per Participating Share

The Net Asset Value per Participating Share is calculated by dividing the net assets less the par value of the Sponsor Shares included in the Statement of Financial Position by the number of Participating Shares in issue at the year end.

	December 2010	December 2009
Total Net Assets (US\$) Less Par Value of Sponsor Shares	32,357,889	28,094,633
Issued Participating Shares	137,077.68	124,702.02
Net Asset Value per Participating Share (US\$)	236.06	225.29

9 Related Parties

The Company, Administrators, Investment Advisor, Custodian and Directors are related parties by virtue of the material contracts in existence that are outlined in notes 3 to 5.

Mr C C Morris, Mrs T Gibbons and Mr A Hopkin are directors of the Investment Advisor. Mr S A Morris, Mr D R Cottingham, Mr C J Gundle, are directors of the Investment Advisor and directly and indirectly hold shares in the Investment Advisor. Mr S A Morris, Mr D R Cottingham, and Mr C C Morris are directors of Continental Sponsors Ltd, the sponsoring broker on the Bermuda Stock Exchange, and are also directors of Global Fund Services Ltd, the Bermuda Administrator.

Ms M O'Caoimh is an employee of the Irish Administrator. The total fees charged by the Irish Administrator for the year amounted to US\$28,538 (2009: US\$23,132).

Aurum Fund Management Ltd. is also the sponsor and advisor to a number of other investment companies and the directors of the Company and Aurum Fund Management Ltd. may serve as directors of such companies.

Persons connected to the Directors, as defined under the Irish Stock Exchange listing requirements, directly and indirectly own all the Sponsor Shares of the Company. At 31 December 2010, Directors and Persons so connected held the following Participating Shares in the Company.

	Number of shares	
	2010	2009
Mr K Gundle	332.96	0.00
Connected Persons of Directors	156.96	0.00
	489.92	0.00

During the year, the Company had dealings with other Aurum funds and funds in which Aurum Fund Management Ltd. had a significant interest by reason of the direct or indirect ownership of Sponsor Shares therein and these dealings may be identified as follows:

	2010 US\$	2009 US\$
Sales of investments to such other funds	0	7,069,660
Purchases of investments from such other funds	0	7,012,024

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

9 Related Parties (continued)

At the end of the year, there were no amounts due to and from such other funds (2009: US\$Nil).

All dealings between all parties were at arm's length prices.

10 Financial Instruments and Risk Exposure

The Company, in the normal course of business, enters into investment transactions in financial instruments through investments in other funds. Financial instruments include investments, cash, interest receivable, dividends receivable, subscriptions receivable, bank overdrafts, accrued expenses and redemptions payable. The value of these financial instruments in the financial statements approximates their fair value.

Asset allocation is determined by the board of directors who manage the distribution of the assets to achieve the investment objectives set out in Note 1. Divergence from target asset allocations and the composition of the portfolio is monitored by the board of directors. The Company is limited by the prospectus as to the percentage of assets that may be invested into any one investment in order to diversify risk, details of these percentages at the Statement of Financial Position date are outlined in the Portfolio Statement on page 5.

The holding of such instruments gives exposure to market risk, currency risk, credit risk, price risk and liquidity risk.

Market Risk

Market risk is the risk that the market price of the financial instrument will fluctuate due to changes in foreign exchange rates, market interest rates, market factors specific to the security or its issuer or factors affecting all securities traded in the market. All investments are recognised at fair value, and all changes in market conditions directly affect net income.

The Company's market risk is managed by the Company within a rigorous risk management framework including diversification of the investment portfolio. The Company invests in US dollar quoted funds. The risk management policy includes initial and subsequent due diligence reviews of all underlying investments but it will be appreciated that the Company does not normally have access to the detailed underlying investments of entities included in the portfolio. The Company does not use sensitivity analysis to measure market risk as this analysis is not deemed to be meaningful due to the nature of the underlying investments. However, if the price of the underlying funds in the portfolio rose by 1%, the net asset value of the portfolio before reduction of borrowings would also rise by approximately 1%.

Details of the Company's investment portfolio as at the Statement of Financial Position date are disclosed in the Portfolio Statement on page 5 that highlights the percentage exposure to each asset type.

Market Risk - Price Risk

Price risk is the risk that the value of an investment may fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or all factors affecting all instruments traded in the market. As the majority of the Company's investments are carried at fair value with fair value changes recognised through the Statement of Comprehensive Income, all changes in market conditions may directly affect net income.

Investments in underlying funds are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates. In addition, these entities or their administrators may not provide values at all or in a timely manner and, to the extent that values are not available, those investments will be valued by the Directors using valuation techniques considered to be appropriate to those investments. The Directors believe that the valuations used are reasonable.

Price risk is mitigated by the board of directors constructing a diversified portfolio of investments traded on various markets. The diversity of investments is shown in the Portfolio Statement on page 5.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

10 Financial Instruments and Risk Exposure (continued)

Market Risk - Currency Risk

The Company invests in collective investment schemes which are denominated in US dollars.

The investment funds in which the Company invests have full discretion as to the currencies in whose shares their investments are denominated. Consequently, performance of the underlying funds may be subject to fluctuations in foreign currency exchange rates.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Certain of the markets which may be traded by the Company or any investment funds in which the Company invests, for example the inter-bank market in currencies, the swaps market and the government securities market are "principal's markets" in which they are fully subject to the risk of counterparty default. Credit risk is managed by the Company through initial and subsequent due diligence reviews of all underlying investments, as already stated, and the exposure to credit risk is reflected in the carrying amounts in the Portfolio Statement on page 5. The diversification of the investment portfolio reduces the overall credit risk to the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

The carrying amounts as at year end:

	2010	2009
	US\$	US\$
Investments	34,346,124	26,906,986
Cash and cash equivalents	543	1,248,485
Other receivables	3,938	1,968

Credit risk arising on transactions with brokers relates to transactions awaiting settlement and cash collateral provided against open contracts. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit rating and financial positions of the brokers used to further mitigate the risk.

Substantially all of the assets of the Company, including cash, are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality of the Custodian used by the Company. The Custodian is a wholly owned subsidiary of Northern Trust Corporation. As at December 2010, Northern Trust Corporation had a Long Term Rating from Standard and Poor's of AA- denoting a very strong capacity to repay interest and principal.

Depending on the requirements of the jurisdictions in which the investments of the Company are issued, the custodian may use the services of one of more sub - custodians.

The board of directors analyse credit concentration based on the counterparty, industry and geographical location of the financial assets that the Company holds.

Liquidity Risk

Liquidity risk is the risk that difficulties may be encountered in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

10 Financial Instruments and Risk Exposure (continued)

Liquidity Risk (continued)

At various times, the markets for some securities purchased or sold by the Company may be illiquid, making purchases or sales of securities at desired prices or in desired quantities difficult or impossible. As there is not always a recognisable market for the investments made by the Company, it may be difficult to deal in any such investments at the value recorded in at the Statement of Financial Position date.

The liquidity of the underlying investments of the Company is reviewed monthly based on the marketability of those investments. The diversification of the Investment Portfolio best reduces overall liquidity risk.

The Company considers that, as at the Statement of Financial Position date, all of the investments shown in the Portfolio Statement on page 5 would have been realisable within 90 days of that date either through redemption or sale, other than funds which have been partially sidepocketed or gated amounting to US\$1,123,235 (2009: US\$1,490,488) of the net asset value.

Participating Shares in the Company may be redeemed at the Net Asset Value per Participating Share on the dealing day immediately following the valuation day, being the last business day of each month, on at least 90 days notice to the Administrator. The Company endeavours to pay the redemption proceeds within 30 days of the redemption date.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date.

2010	< 1 Month US\$	1 - 3 Months US\$	3 Months to 1 Year US\$	Total US\$
Liabilities				
Investment advisory fees payable	54,033	-	-	54,033
Administration fee payable	3,221	-	-	3,221
Custody fee payable	1,140	-	-	1,140
Bank overdraft	1,921,890	-	-	1,921,890
Other payables	12,422	-	-	12,422
Total Liabilities	1,992,706	-	-	1,992,706
2009	< 1 Month US\$	1 - 3 Months US\$	3 Months to 1 Year US\$	Total US\$
Liabilities				
Investment advisory fees payable	46,906	-	-	46,906
Administration fee payable	2,925	-	-	2,925
Custody fee payable	1,011	-	-	1,011
Bank overdraft	4	-	-	4
Other payables	11,950	-	-	11,950
Total Liabilities	62,796	-	-	62,796

All of the Company's financial liabilities totalling US\$1,992,706 (2009: US\$62,796) are payable within one month of the Statement of Financial Position date.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

11 Fair Value Measurement

The International Accounting Standards Board published *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* in order to improve the disclosure of how entities measure the fair value of their financial instruments. The disclosure requirements in IFRS 7 have been extended to introduce a fair value hierarchy and enhanced liquidity risk disclosures. The new disclosures are effective for annual periods beginning on or after 1 January 2009.

The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). Valuation techniques shall maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of the fair value hierarchy under IFRS 7 are as follows:

- Level 1: Fair values that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2: Fair values other than quoted prices included within level 1 where the inputs are observable for the asset or liability valuation either directly or indirectly; and
- Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Company categorises Funds into which the Company may invest that provide their own monthly net asset value at level 2 as not independently sourced albeit that the Company does not doubt such net asset value.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument.

Financial instruments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, includes all listed funds with regular independent quotes. The Investment Advisor does not adjust the quoted price for such instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain Forward Foreign Currency Contracts where the price is calculated internally using observable data.

As level 2 financial instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

All other unquoted funds would be classified into level 3 category by default. Financial instruments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments, for example, would include Forward Foreign Currency Contracts where the price has been calculated as part of an internal model using unobservable data.

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

11 Fair Value Measurement (continued)

The disclosure required for financial instruments which are measured at fair value in the Statement of Financial Position is as follows:

- the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety;
- any significant transfers between level 1 and level 2 of the fair value hierarchy and the reasons for those transfers; and
- for fair value measurements in level 3 of the hierarchy, a reconciliation from the beginning balances to the ending balances. As well as highlighting purchases, sales, and gains and losses, this reconciliation will identify transfers into or out of level 3 and the reasons for those transfers.

The following table presents the financial instruments carried on the Statement of Financial Position by level within the valuation hierarchy as at 31 December 2010.

Financial assets at fair value through profit or loss At 31 December 2010

	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Collective Investment Schemes	34,346,124	-	33,222,889	1,123,235
Total	34,346,124	-	33,222,889	1,123,235

Financial assets at fair value through profit or loss At 31 December 2009

	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Collective Investment Schemes	26,906,986	-	25,416,498	1,490,488
Total	26,906,986	-	25,416,498	1,490,488

There have been no transfers during the year between levels 1 and 2

The reconciliation of fair value measurements in level 3 is set out below:

Aurum Fortress Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

11 Fair Value Measurement (continued)

Level 3 financial assets at fair value through profit or loss

At 31 December 2010	Funds US\$	Total US\$
Opening balance	1,490,488	1,490,488
Settlements	(604,441)	(604,441)
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
- on assets sold	134,212	134,212
- on assets held at the end of the year	102,976	102,976
Closing balance	<u>1,123,235</u>	<u>1,123,235</u>
At 31 December 2009	Funds US\$	Total US\$
Opening balance	2,528,816	2,528,816
Settlements	(979,417)	(979,417)
Transfers into level 3	372,685	372,685
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
- on assets sold	(89,555)	(89,555)
- on assets held at the end of the year	(342,041)	(342,041)
Closing balance	<u>1,490,488</u>	<u>1,490,488</u>

Transfers into level 3 relate to investments side pocketed and gated during the year.

12 Subsequent Events

No events have occurred in respect of the Company subsequent to the year end that may be deemed relevant to the accuracy of these financial statements.