

Jacana Diversified Fund Ltd.

Annual Report and Audited Financial Statements

For the year ended 31 December 2012

Jacana Diversified 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 2012	5
Portfolio Statement as at 31 December 2011	6
Statement of Comprehensive Income for the year ended 31 December 2012	7
Statement of Financial Position as at 31 December 2012	8
Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2012	9
Statement of Cash Flows for the year ended 31 December 2012	10
Notes to the Financial Statements	11

Jacana Diversified Fund Ltd.

Directors and service providers

Company	Jacana Diversified Fund Ltd. “Aurum House” 35 Richmond Road Hamilton HM08 Bermuda Tel: (1) (441) 292 6952 Fax: (1) (441) 295 4164
Directors	Dudley R Cottingham Adrian De Fay Christopher C Morris S Arthur Morris Adam Sweidan
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 Jacana Fund Management Limited “Aurum House” 35 Richmond Road Hamilton HM08 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

Jacana Diversified Fund Ltd.

Directors and service providers (continued)

**Bermuda
Administrator,
Registrar and
Secretary**

Global Fund Services Ltd
“Century House”
16 Par-la-Ville Road
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

**Legal
Advisors in
Matters of
Bermuda Law**

Conyers Dill & Pearman Limited
“Clarendon House”
2 Church Street
Hamilton HM 11
Bermuda

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

Jacana Diversified Fund Ltd.

Directors' Report

The Directors have the pleasure to present the audited accounts of the Jacana Diversified Fund Ltd. (the "Fund") for the year ended 31 December 2012 and report as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations.

At 31 December 2012 the Net Asset Value per Participating Share was US\$139.37 (2011: US\$124.58).

No dividends have been declared in the year ended 31 December 2012 (2011: US\$Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2012 (2011: US\$Nil).

Review

The Fund returned 11.87% for the year ended 31 December 2012.

The second half of 2012 was considered positive for the global economy, with many of the key issues affecting investor sentiment in the first half of the year averted. First, the resolution of the European Central Bank to act as a backstop in the euro-zone with an unlimited bond buying programme announced on 6th September served to buoy the region. Critically, this reduced the borrowing costs for the nations of Italy, Spain, and Greece amongst others. Second, Chinese data consistently beat expectations and a 'hard-landing' scenario was averted. Finally, in the U.S., Barack Obama won his second term as President, with the 'fiscal cliff' and 'debt ceiling' averted by a divided Congress at the end of December.

Macro was the strongest performing strategy in 2012, adding 293bps. The main sources of profit in the second half of the year were emerging market interest rate trading, and the devaluation of the Japanese yen, which many managers were able to capitalise upon after newly elected Prime Minister Shinzō Abe's explicit target to stimulate the Japanese economy through asset purchases to achieve an inflation rate of 2%. Equity strategies had a strong end to the year, returning 11.83% in 2012 which added 237bps to overall performance, aided by the addition of a new manager in the second half of the year, taking the strategy from 13% of the fund in 2011 to 23% at year end. The multi-strategy group also increased, from 17% to 24%, performing well over the year, reflecting their ability to remain flexible and adjust their allocations in reaction to market changing events, adding 221bps in total. Event driven managers had a difficult 2012 with reduced deal volume and premium as investors were uncertain about global outcomes, and chose to 'wait it out'. The strategy added 27bps. Although struggling against low volume and realised volatility throughout 2012, systematic managers performed well, after remaining positive in the first half, adding 30bps for the year. Commodity managers detracted 45bps as concern over global policy outcomes and adverse weather patterns whipsawed markets.

During the year a settlement agreement was reached between one of the Company's invested funds and said fund's custodian which resulted in distributions of \$608,534 being received during the year. The investment was previously written down to US\$Nil and continues to be carried at US\$Nil at year end as further potential distributions are unknown.

Outlook

The optimism throughout global markets towards the end of 2012 is viewed with caution, as while some of the issues that contributed towards adverse investor returns in 2012 have been temporarily satisfied, any form of concrete, holistic or lasting resolution is not yet forthcoming.

We view the present rallies in global markets as a reason for optimism but also caution. It is clear that many participants remain on the side-lines – with vast amounts of capital remaining to be allocated – but our focus is on the quality of our returns, aiming to remove any beta elements (which would benefit from a renewed optimism and inflows of capital), in favour of alpha driven strategies that should provide consistent returns regardless of market direction. There are signs that the choppy and binary 'risk-on risk-off' environment is abating. There are fundamental trends in the currency markets and positive flows into actively managed investments which we hope should lead to greater dispersion and in turn a better environment for hedge funds.

Thanks

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



Dudley R Cottingham

Director

24 April 2013



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

Independent Auditors' Report to the Shareholders

We have audited the accompanying financial statements of Jacana Diversified Fund Ltd. (the "Company") for the year ended 31 December 2012, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Holders of Participating Shares, the Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders of the Company, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders of the Company as a body, for our audit work, for this report, or for the opinions we have formed.

Management 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, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


KPMG
Chartered Accountants
24 APRIL 2013
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Jacana Diversified Fund Ltd.

Portfolio Statement as at 31 December 2012

Sector Analysis	US\$	% of Fund	US\$	% of Fund
Macro			4,056,449	39.84
Fund 1	1,035,425	10.17		
Fund 2	955,840	9.39		
Fund 3	887,216	8.71		
Fund 4	658,897	6.47		
Fund 5	519,071	5.10		
Multi-Strategy			2,403,935	23.60
Fund 6	870,054	8.54		
Fund 7	770,329	7.56		
Fund 8	501,653	4.93		
Fund 9	261,899	2.57		
Equity Strategies			2,381,870	23.38
Fund 10	887,360	8.71		
Fund 11	587,518	5.77		
Fund 12	512,753	5.03		
Fund 13	394,239	3.87		
Event Driven			655,317	6.43
Fund 14	655,317	6.43		
Systematic (Quantitative)			539,275	5.30
Fund 15	539,275	5.30		
Commodity			450,217	4.42
Fund 16	450,217	4.42		
Total investments	10,487,063	102.97	10,487,063	102.97
Other assets	48,509	0.48	48,509	0.48
Total Assets	10,535,572	103.45	10,535,572	103.45
Other liabilities	(351,284)	(3.45)	(351,284)	(3.45)
Net Assets	10,184,288	100.00	10,184,288	100.00

Jacana Diversified Fund Ltd.

Portfolio Statement as at 31 December 2011

Sector Analysis	US\$	% of Fund	US\$	% of Fund
Macro			5,028,696	53.95
Fund 1	1,027,961	11.03		
Fund 2	954,242	10.24		
Fund 3	836,145	8.97		
Fund 4	632,296	6.78		
Fund 5	568,100	6.09		
Fund 6	513,546	5.51		
Fund 7	496,406	5.33		
Multi-Strategy			1,793,735	19.24
Fund 8	824,796	8.85		
Fund 9	718,939	7.71		
Fund 10	250,000	2.68		
Equity Strategies			1,254,964	13.47
Fund 11	788,881	8.46		
Fund 12	458,136	4.92		
Fund 13	7,947	0.09		
Event Driven			629,745	6.76
Fund 14	629,745	6.76		
Systematic (Quantitative)			510,367	5.48
Fund 15	510,367	5.48		
Commodity			495,584	5.32
Fund 16	495,584	5.32		
Total investments	9,713,091	104.22	9,713,091	104.22
Other assets	823	0.01	823	0.01
Total Assets	9,713,914	104.23	9,713,914	104.23
Other liabilities	(394,307)	(4.23)	(394,307)	(4.23)
Net Assets	9,319,607	100.00	9,319,607	100.00

Jacana Diversified Fund Ltd.

Statement of Comprehensive Income for the year ended 31 December 2012

2011		Notes	2012
US\$			US\$
	Gains from financial assets at fair value through profit or loss	2	
238,390	Net unrealised gain on investments		1,791,827
183,804	Net realised gain/(loss) on investments		(441,780)
422,194	Total gains from financial assets at fair value through profit or loss		1,350,047
	Expenses	2	
194,561	Investment advisory fee	3	196,212
9,020	Administration fee	4	9,049
3,518	Custodian fee	5	3,532
30,000	Directors' fees		30,000
8,040	Audit fee		1,934
2,244	Net interest expense		4,235
19,526	Other operating expenses		19,499
266,909	Total operating expenses		264,461
	Change in net assets attributable to holders of Participating		
155,285	Shares resulting from operations		1,085,586

The accompanying notes form part of these financial statements.

Jacana Diversified Fund Ltd.

Statement of Financial Position as at 31 December 2012

	2011 US\$	Notes	2012 US\$
	Assets		
	Financial assets at fair value through profit or loss		
9,713,091	Investments at fair value	2	10,487,063
	Loans and receivables		
823	Other debtors		48,509
9,713,914	Total Assets		10,535,572
	Liabilities		
	Financial liabilities measured at amortised cost		
15,565	Investment advisory fee		17,009
1,354	Administration fee		1,404
282	Custodian fee		306
10,151	Other payables		7,494
366,955	Bank overdraft	2,7	325,071
394,307	Total Liabilities (excluding amounts attributable to holders of Participating Shares)		351,284
	Net Assets attributable to holders of Participating and Sponsor Shares		
9,319,607		6	10,184,288
9,319,597	Net Assets attributable to holders of Participating Shares	8	10,184,278
10	Net Assets attributable to holders of Sponsor Shares	6	10
74,809.42	Participating Shares outstanding (number of shares)	6	73,073.41
124.58	Net Asset Value per Participating Share	8	139.37

These financial statements were approved by the Directors on 24th April 2013 and signed on their behalf by:



D.R. Cottingham

Director



C.C. Morris

Director

The accompanying notes form part of these financial statements.

Jacana Diversified Fund Ltd.

Statement of Changes in Net Assets Attributable to Holders of Participating Shares for the year ended 31 December 2012

	Total US\$
Balance at 1 January 2012	9,319,597
Change in net assets attributable to holders of participating shares resulting from operations	1,085,586
Redemptions during the year	(220,906)
Balance at 31 December 2012	10,184,277
Balance at 1 January 2011	9,828,995
Change in net assets attributable to holders of participating shares resulting from operations	155,285
Redemptions during the year	(664,683)
Balance at 31 December 2011	9,319,597

The accompanying notes form part of these financial statements.

Jacana Diversified Fund Ltd.

Statement of Cash Flows for the year ended 31 December 2012

	2011 US\$		2012 US\$
		Cash flows from operating activities	
		Change in net assets attributable to holders of participating	
	155,285	shares resulting from operations	1,085,586
	(1,250,000)	Purchase of investments	(2,736,527)
	2,344,455	Proceeds from sales of investments	3,312,603
		Adjustment for non cash items and working capital	
	(238,390)	Net unrealised (gain) on investments	(1,791,827)
	(183,804)	Net realised (gain)/loss on investments	441,780
		Changes in operating assets and liabilities	
	(156)	Decrease/(increase) in debtors	(47,686)
	(1,321)	Increase/(decrease) in creditors	(1,139)
	826,069	Net cash inflow received from operating activities	262,790
		Cash flows from financing activities	
	(664,683)	Redemption of shares	(220,906)
	(664,683)	Net cash outflow from financing activities	(220,906)
	161,386	Net increase in cash and cash equivalents	41,884
	(528,341)	Cash and cash equivalents at the beginning of the year	(366,955)
	(366,955)	Cash and cash equivalents at the end of the year	(325,071)
		Supplementary Information	
	(2,244)	Net interest paid	(4,235)

The accompanying notes form part of these financial statements.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012

1 General

Jacana Diversified Fund Ltd. (the “Company”) was incorporated in the British Virgin Islands as an open ended Fund on 18 June 2001 and was re-domiciled to Bermuda on 1 December 2003 under the Companies Act 1981 as amended and acts as an investment company. The Jacana Diversified Fund Ltd. is listed on the Bermudan Stock exchange.

The Company’s 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 24 April 2013.

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 (IFRS) and interpretations of IFRS as issued 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 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 net assets attributable to holders of participating shares are stated at the present value of the redemption amount.

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

There are a number of new/revised standards and interpretations not yet adopted in the financial statements of the Company:

- Amendments to IFRS 7 Financial Instruments effective for accounting periods commencing 1 July 2012 or later: The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not recognised in their entirety.
- IFRS 10 Consolidated Financial Statements effective for annual reporting periods beginning on or after 1 January 2013. The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.
- IFRS 12 Disclosure of Interests, effective 1 January 2013: IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2 Principal Accounting Policies (continued)

Changes in accounting policy and disclosures (continued)

- The Investment Entities amendment to IFRS 10, IFRS 12 and IAS 27, effective for annual reporting periods beginning on or after 1 January 2013. The Investment Entities amendments provide an exemption to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.
- IFRS 13 Fair value measurement, effective for annual reporting periods beginning on or after 1 January 2013: This standard establishes a single source of guidance for fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as “the exit price”). The standard also provides guidance for fair value determination and introduces consistent requirements for disclosure and measurement.
- Amendments to IFRS 7 and IAS 32, effective 1 January 2014: The amendments provide clarification and disclosure requirements in relation to offsetting rights.
- 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 reporting periods beginning on or after 1 January 2015.

The Directors anticipate that the adoption of standards or interpretations currently in issue but not yet effective will have no material impact on the financial statements of the Company in the period of initial application. The Company has not adopted any new standards or interpretations that are not mandatory.

Investments

The Company, on initial recognition, designated 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.

Investments in collective investment schemes are recorded at the net asset value per share as reported by the administrators of such funds which the Directors believe to best represent Fair Value.

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.

At the year end, there were no instances wherein the administrator was unable to provide the net asset value per share or that the Directors considered it necessary to make any adjustments to the fair value of the underlying funds. The disclosures of the risks of the funds are in Note 10 “Financial Instruments and Risk Exposure”.

Investment transactions are recorded on the trade date at which the Company becomes a party to the specific investment.

Financial assets and financial liabilities are measured initially at fair value, being the transaction price on the trade date. Transaction costs are expensed immediately. After initial measurement, the Company measures financial instruments which are classified at fair value through profit and loss at their fair value. Changes in fair value are recorded within net gain/(loss) on investments.

Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2 Principal Accounting Policies (continued)

Investments (continued)

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 Jacana Fund Management Limited (where such Funds exist) and Funds advised by Aurum Fund Management Ltd., these Funds are referred to as “other Aurum Jacana Funds” and “other Aurum Funds” respectively.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Translation of Foreign Currencies

The results and financial position of the Company are expressed in US dollar which is the functional currency of the Company. Transactions in currencies other than US dollar are recorded at the transaction date rate. At each reporting date, monetary items and non-monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rate prevailing on the reporting date. Gains and losses arising on retranslation are included in the net profit or loss for the period where investments are classified at fair value through profit or loss.

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 Bermuda income, profit, capital transfer or capital taxes, should taxes be enacted, until 31 March 2035.

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 IFRS 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The areas of estimates which have the most significant effect on the amounts recognised in the financial statements are disclosed in notes 10 and 11.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (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. 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.

Operating Segments

IFRS 8 requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters (the 'management approach'). Such components (operating segments) are identified on the basis of internal reports that the entity's CODM regularly reviews in allocating resources to segments and in assessing their performance. The Directors manage the operations as a single segment and accordingly the Directors believe that the Company has only one reportable segment. The concentrations of investments by strategy are shown on the portfolio statement.

3 Investment Advisory Fee and Incentive Fee

The Company pays the Investment Advisor (i) a monthly fee of 0.16666% (equivalent to approximately 2% per annum) of the Net Asset Value of the Participating Shares of the Company as at relevant month-end; and (ii) a monthly incentive fee equal to 15% of the increase, if any, of the Net Asset Value of the Participating Shares of the Company as at the end of each month, over the Base Value of the Participating Shares of the Company, increased by a factor of 0.83333% (equivalent to approximately 10% per annum) for each month that has expired since the Base Date, or if higher the Net Asset Value of the Participating Shares of the Company 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 at that date. For the purposes of this calculation it shall be assumed that all the participating shares in issue at valuation day were in issue at base date and/or the high water mark date as the case may be and had a net asset value equal to the net asset value of each participating share in the company at base date or high water mark date as the case may be. These fees are calculated before all 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. In so far as the Company invests in other Aurum Jacana Funds or other Aurum Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such other Aurum Jacana and Aurum funds.

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, Custodian and 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 Jacana Funds or other Aurum Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Jacana or Aurum Funds, 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 are 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.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

5 Custodian Fee (continued)

In addition, the Custodian shall receive from the Company a transaction fee of US\$150 for each transaction conducted pursuant to the Custodian Agreement. In so far as the Company invests in other Aurum Jacana Funds or other Aurum Funds, no fees will be payable by the Company on the amount so invested, in addition to those already charged by such Aurum Jacana or Aurum Funds, but the minimum will remain applicable.

6 Share Capital

	December 2012 US\$	December 2011 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 2012	74,809.42	Opening at 1 January 2011	80,143.38
Redeemed during the year	(1,736.01)	Redeemed during the year	(5,333.96)
Closing at 31 December 2012	73,073.41	Closing at 31 December 2011	74,809.42

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

6 Share Capital (continued)

Statement of Changes in Sponsor and Participating Shares

	Sponsor Shares US\$	Participating Shares US\$	Share Premium and Return Allocated to Participating Shareholders US\$	Total US\$
Balance at 1 January 2012	10	11,784	289,240,927	289,252,721
Change in net assets attributable to holders of participating shares			6,703,468	6,703,468
Subscriptions during the year		1,495	37,101,859	37,103,354
Redemptions during the year		(3,885)	(96,138,807)	(96,142,692)
Balance at 31 December 2012	10	9,394	236,907,447	236,916,851
Balance at 1 January 2011	10	9,613	238,115,595	238,125,218
Change in net assets attributable to holders of participating shares			(2,938,255)	(2,938,255)
Subscriptions during the year		7,520	187,289,643	187,297,163
Redemptions during the year		(5,349)	(133,226,056)	(133,231,405)
Balance at 31 December 2011	10	11,784	289,240,927	289,252,721

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 2012	December 2011
Total Net Assets (US\$) Less Par Value of Sponsor Shares	10,184,277	9,319,597
Issued Participating Shares	73,073.41	74,809.42
Net Asset Value per Participating Share (US\$)	139.37	124.58

9 Related Parties

The Company's 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 S A Morris, Mr D R Cottingham, Mr C C Morris and Mr A De Fay are directors of 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, are also directors of Global Fund Services Ltd, the Bermuda Administrator, and are directors of Aurum Fund Management Ltd. Mr A Sweiden is a Vice President of Investments with Aurum Fund Management Ltd. Messrs S A Morris, D R Cottingham and A Sweiden directly and indirectly own shares in Aurum Fund Management Ltd.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

9 Related Parties (continued)

Aurum Jacana Fund Management Limited was jointly owned and controlled by Aurum Fund Management Ltd. and Jacana Fund Management Ltd as at year end. Jacana Fund Management Ltd. entered into voluntary liquidation on 28 December 2012 and transferred its shares of Aurum Jacana Fund Management Ltd. to Jacana Investments Ltd., its parent company, on 13 February 2013. The directors of the Company and Aurum Jacana Fund Management Limited may serve as directors of a number of other investment companies.

Aurum Jacana Fund Management Limited is Investment Advisor to, and owns all the Sponsor Shares of, the Company. The directors have not held Participating Shares in the Company during the period (2011: Nil).

During the year, the Company had no 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.

At the end of the year, there were no amounts due to or from such other funds (2011: US\$Nil).

The above figures exclude amounts due to the Investment Advisor which are shown in the body of the financial statements.

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 carrying 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, price risk, currency risk, credit 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 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.

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.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

10 Financial Instruments and Risk Exposure (continued)

Market Risk (continued)

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. The Company does not use sensitivity analysis to measure market risk. 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% and vice versa.

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 are:

	2012	2011
	US\$	US\$
Investments	10,487,062	9,713,091
Cash and cash equivalents	Nil	Nil
Other receivables	48,509	823

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.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

10 Financial Instruments and Risk Exposure (continued)

Credit Risk (continued)

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 31 December 2012, Northern Trust Corporation had a Long Term Rating from Standard and Poor's of A+ 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 generally, without affecting its potential liability, use the services of one or more sub-custodians.

The board of directors analyses 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.

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 the Statement of Financial Position.

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\$23,596 (2011: US\$25,557) 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.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

10 Financial Instruments and Risk Exposure (continued)

Liquidity Risk (continued)

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.

2012	< 1 Month	1 - 3 Months	3 Months to 1 Year	Total
	US\$	US\$	US\$	US\$
Liabilities				
Bank overdraft	325,071	-	-	325,071
Investment advisory fees payable	17,009	-	-	17,009
Administration fee payable	1,404	-	-	1,404
Custody fee payable	306	-	-	306
Other payables	7,494	-	-	7,494
Net assets attributable to holders of Participating Shares	-	-	10,184,277	10,184,277
Total Liabilities	351,284	-	10,184,277	10,535,561
2011	< 1 Month	1 - 3 Months	3 Months to 1 Year	Total
	US\$	US\$	US\$	US\$
Liabilities				
Bank overdraft	366,955	-	-	366,955
Investment advisory fees payable	15,565	-	-	15,565
Administration fee payable	1,354	-	-	1,354
Custody fee payable	282	-	-	282
Other payables	10,151	-	-	10,151
Net assets attributable to holders of Participating Shares	-	-	9,319,597	9,319,597
Total Liabilities	394,307	-	9,319,597	9,713,904

Net assets attributable to participating shares show undiscounted cash flows on the basis of the earliest possible contractual redemption date.

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 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: Quoted price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques for which all significant inputs are directly or indirectly observable from market data; and

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11 Fair Value Measurement (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 as 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.

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.

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.

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11 Fair Value Measurement (continued)

The following table presents the financial instruments carried on the Statement of Financial Position by level within the valuation hierarchy as at 31 December 2012.

Financial assets at fair value through profit or loss

At 31 December 2012	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Collective Investment Schemes	10,487,062	-	10,463,466	23,596
Total	<u>10,487,062</u>	<u>-</u>	<u>10,463,466</u>	<u>23,596</u>

Financial assets at fair value through profit or loss

At 31 December 2011	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Collective Investment Schemes	9,713,091	-	9,687,534	25,557
Total	<u>9,713,091</u>	<u>-</u>	<u>9,687,534</u>	<u>25,557</u>

There have been no transfers during the year between level 1 and 2 assets in either year.

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

At 31 December 2012	Funds US\$
Opening balance	25,557
Settlements	
Purchases	-
Sales	(7,305)
Transfers into level 3	-
Transfers out of level 3	-
Total gains or (losses) included in gains on investments in the Statement of Comprehensive Income	
- on assets sold	(642)
- on assets held at the end of the year	5,986
Closing balance	<u>23,596</u>

Jacana Diversified Fund Ltd.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11 Fair Value Measurement (continued)

At 31 December 2011	Funds US\$
Opening balance	106,619
Settlements	
Purchases	-
Sales	(60,782)
Transfers into level 3	-
Transfers out of level 3	-
Total gains or (losses) included in gains on investments in the Statement of Comprehensive Income	
- on assets sold	(10,755)
- on assets held at the end of the year	(9,525)
Closing balance	<u>25,557</u>

The level 3 fair values used in the above table are valued using the net asset value of the underlying fund without adjustment, which the directors believe to be a reliable indicator of fair value. 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% and vice versa. The level 3 investments relate to investments in underlying funds which have side pockets or gates.

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.