

**AURUM ISIS STERLING FUND LTD.**

**Annual Report and Audited Financial Statements  
For the year ended 31 December 2018**

**Annual Report and Audited Financial Statements Contents**

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**Directors and Service Providers**

*Company and Registered Office*

Aurum Isis Sterling Fund Ltd.  
Aurum House  
35 Richmond Road  
Hamilton HM 08  
Bermuda

*Promoter & Investment Adviser*

Aurum Fund Management Ltd.  
Aurum House  
35 Richmond Road  
Hamilton HM 08  
Bermuda

*Custodian*

Northern Trust Fiduciary Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

*Administrator, Sub-Registrar and Transfer Agent*

Northern Trust International Fund Administration Services  
(Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

*Auditor*

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

*Directors*

Dudley R Cottingham  
Tina Gibbons  
Adam Hopkin  
Christopher C Morris (resigned on 16 May 2018)  
Kevin Gundle  
Anabel Mackie†  
Bronwyn Wright†  
Fiona Mulhall†  
Michael J Harvey

†Independent Directors

*Bermuda Administrator & Registrar*

(resigned as secretary on 14 November 2018)  
Global Fund Services Ltd.  
Century House  
16 Par-la-Ville Road  
Hamilton HM 08  
Bermuda

*Secretary*

(appointed on 14 November 2018)  
Continental Management Limited  
Century House  
16 Par-la-Ville Road  
Hamilton HM 08  
Bermuda

*Sponsoring Member for Bermuda Stock Exchange*

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

*Bermuda Legal Advisers*

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

## ESG Impact Report

# Aurum Earth



### Aurum Impact Investment Solution

Aurum’s impact investment solution, which launched in 2002, aims to deliver returns that go beyond financial returns. The fund provides investors with an opportunity to both make investment returns and make a difference.

The advisory fee generated from the fund supports a number of charities, principally Synchronicity Earth, a registered charity that supports the conservation of biodiversity, ecosystems and species at risk around the world.

### Registration Portfolios

In 2015 the Synchronicity Earth Regeneration Portfolio was created in collaboration with Aurum. It is an initiative to create strategic funding partnerships between corporates and environmental non-government organisations (“NGOs”) in order to regenerate natural habitats. The portfolios provide a scalable solution that can be adopted by anyone looking to engage in environmental philanthropy.

The first strategic funding partnership that Aurum supported, and continues to support, was Hutan, a Sabah-based NGO that was established in 1998 to restore highly degraded and fragmented forest patches in Malaysian Borneo.

### Outcome

- Aurum contributes to Synchronicity Earth’s operating expenses, which creates stability for the charity and ensures that other donations can be directed to activity that will have an impact.

### Impact

- Aurum’s impact investment solution has generated approximately \$8.5 million for over 70 organisations in nearly 40 countries.

### Outcome

- Covered the costs of two full time staff and vital equipment for Hutan. Contributed to Hutan’s reforestation efforts at three sites.

### Impact

In 2018:

- AFML’s funding covered the costs of essential equipment and planting of 2,200 native tree seedlings, with two to three years of ongoing maintenance until the seedlings can be left to fend for themselves.
- The funding also paid for installation and monitoring of three hornbill nest boxes. Some key species of tree germinate more successfully once they have passed through the digestive system of hornbills and this new strategy will re-introduce the natural seed distribution process for these species into the new areas of forest.
- Hutan offers local women the opportunity to join the reforestation team for paid ‘internships’. Some of these women may become part of the team.
- Local communities, particularly women, are empowered to actively manage their natural environment and resources.

# ESG Impact Report (Continued)

## Driving Industry Change

The hedge fund industry deals with complexity and risk every day. Fundamental to its success are analysis of data and the need to understand the impact of trends and systemic change. By extending this approach to environmental impact, the industry is ideally placed to both understand the problems and be part of the solution.

Aurum has a goal to mobilise the hedge fund industry to have a net positive environmental impact.

To achieve this Aurum aims to promote articles written about the Regeneration Portfolio using social media and industry publications, and engage with participants in the hedge fund industry to support participation in regeneration portfolios.

## Outcome

In 2018:

- Aurum wrote an article discussing how the hedge fund industry could be a positive force for environmental change, which was published in HFM Week.
- Representatives of Aurum held meetings with individual hedge fund managers to promote the Regeneration Portfolio.
- Along with representatives from Synchronicity Earth, Aurum presented at the Albourne annual conference on how hedge funds can help to diffuse the environmental time bomb.

## Impact

In 2018:

- A Chicago-based hedge fund continued funding a strategic funding partnership in Tanzania, which supports communities to plant native forestry and agroforestry.
- A London-based hedge fund manager continued funding a Regeneration project in Ecuador, which supports a forest reserve in an area of rich biodiversity and is beginning reforestation to link the reserve to nearby protected areas.
- Two hedge funds, one US-based and one UK-based, began providing annual unrestricted funding to Synchronicity Earth, which supports strategic programmatic work on overlooked and underfunded conservation issues.

# ESG Impact Report (Continued)

## Strategic Conservation

Created in 1948, IUCN (International Union for Conservation of Nature) has evolved into the world's largest and most diverse environmental network. It harnesses the experience, resources and reach of its 1,300 Member organisations and the input of some 13,000 experts. IUCN is the global authority on the status of the natural world and the measures needed to safeguard it. IUCN provides public, private and non-governmental organisations with the knowledge and tools that enable human progress, economic development and nature conservation to take place together. The IUCN has the ability to convene diverse stakeholders and provide the latest science, objective recommendations and on-the-ground expertise, driving its mission of informing and empowering conservation efforts worldwide. It also serves as an official agency monitoring progress towards biodiversity-related targets.

Aurum has been providing funding to assist in covering the core costs of the IUCN since 2012.

## Oceans

It is vital to protect our oceans now in order to ensure their long-term environmental health, and provide sustainable resources for future generations.

With this in mind, Aurum has sought opportunities to engage with and support initiatives focusing on this important area.

## Outcome

- Funding for the core costs of the IUCN is crucial for delivery of a range of activities, from maintenance of the Red List of Threatened Species to championing nature's role in achieving the Sustainable Development Goals.
- Core funding allows the organisation to remain strategic and deliver its mission to 'influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable'.

## Impact

In 2018:

- IUCN Red List assessments continued to grow, in line with the objective of reaching 160,000 species by 2020.
- Specific, community-centred species conservation action plans were developed, targeting endangered and vulnerable species, their habitats and the communities living in them.
- Country and regional level action plans were supported and implemented to increase resilience and adaptation to climate change, sustainable livelihoods and food security.

## Outcome

In 2018:

- Aurum sponsored the first Ocean Risk Summit, which had an objective to engage a range of political, scientific, economic, environmental, technological, risk and legal regulatory leaders (in particular, finance ministers, chief finance officers and chief risk officers) to discuss the causes and impacts of, and possible solutions, to the rapid negative changes taking place in our oceans.

## Impact

- Development of an Ocean Risk Index, a project that Ocean Unite is supporting AXA XL in developing in collaboration with the Economist Intelligence Unit. The index will define, value and track key ocean risk factors.

# ESG Impact Report (Continued)



## One to One Children’s Fund

Founded in 2001, One to One Children’s Fund has established a significant reputation in the spheres of HIV and post-conflict trauma, by developing innovative and sustainable models to fill core gaps in care for vulnerable children. It aims to rebuild and transform lives by first identifying the greatest risks facing children and adolescents and then working with partners to pilot and deliver cost-effective interventions in healthcare, psychosocial services and education. Children and adolescents affected by HIV and AIDS, disability, disease and trauma are empowered to help them realise their full potential and lead healthy, fulfilling lives. Aurum has supported One to One Children’s Fund since its inception.

## Outcome

- Aurum’s support has allowed One to One Children’s Fund to focus on core gaps in care for some of the world’s most vulnerable children, providing support to children and their families.

## Impact

- Anti-retroviral treatment and support: implemented the first treatment programme for children. Established PATA, a network organisation of 400 HIV clinics and hospitals, sharing knowledge and disseminating best practice; PATA’s expert patient concept was selected as one of the Rockefeller Foundation’s top 100 innovations for the 21st Century.
- Enable: a programme delivering home-based healthcare for children, their mothers, pregnant women and families suffering HIV, malnutrition and other diseases, contributing to drastically reduced infant mortality. Supporting more than 500 pregnant women so far, in a region where 30% of mothers are HIV+, the most recent results from the project include 0% transmission of HIV from mother to child so far. 9,000 community members have benefited from the service.
- Young people and HIV: working with health clinics and schools to empower HIV+ young people to manage their treatment and combat stigma, and to empower peer supporters to address pressing issues affecting young people such as HIV, sexual health, puberty and gender-based violence.
- Post-conflict Kosovo: counselling support to over 10,000 vulnerable children and families. Established four day care centres for children with disabilities that now operate independently, helping 3,000 children every year.
- Young refugee support: established partnerships to expand psychosocial support for young refugees in Greece and in the UK, developing counselling and arts-based models for this important unmet need within refugee communities.

## ESG Impact Report (Continued)

### SACCA ASBL (The Streets Ahead Children's Centre Association)

SACCA is a local NGO registered in Rwanda which works to protect and rehabilitate children who have been living on the street, as well as preventing them from reaching the streets in the first place.

SACCA's work has three elements:

- Provision of ongoing support to children within rehabilitation centres
- A reintegration programme
- An independent living programme Community

### The Aurum Team

Aurum encourages group employees to support charities that are important to them and to use their skills and efforts to make a difference.

### Outcome

- In 2018 Aurum representatives led a delegation of donors and potential donors to Rwanda to evaluate the work that they are supporting.

### Impact

- Graduates of SACCA's educational programmes have received a rich educational experience and have gone on to find full-time employment.
- Those who complete SACCA's programme have a significantly enhanced life and livelihood as a consequence of SACCA's intervention. This sets an example in the community, and has led to referrals from their friends, colleagues and relations seeking new life skills from SACCA.
- Many of the smallholders with whom SACCA works, as part of the independent living programme, have gone on to rent larger fields and establish their own cooperatives with other local farmers. The knock-on benefits include being able to send their children to school and pay labourers a higher price for their work.

### Outcome

- Aurum runs a programme that matches each group employee's fundraising up to £500 per year.

### Impact

- Aurum employees have volunteered 29 days to support the following charities in 2018:
  - Action Homeless Concern
  - Age UK Charity Shop
  - Art for All: Kids' Club
  - Barnardo's Charity Shop
  - Be Enriched: Castle Canteen (community canteen)
  - Dress for Success (help to empower unemployed women)
  - F&C Volunteers (older people's lunch club)
  - The Felix Project (fighting food poverty)
  - Hammersmith & Fulham Food Bank
  - Share Horticulture (horticultural projects for disabled people)
  - Share Community (training workshops for disabled people)
  - Salopian Gardens
  - Tower Hamlets Cemetery Park



# ESG Impact Report (Continued)



## United Nations Principles for Responsible Investment ("PRI")

Aurum became a signatory to the United Nations Principles for Responsible Investment in 2014. The PRI works to understand the investment implications of ESG factors and to support its signatories in incorporating these factors into their investment and ownership decisions. It acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately the environment and society as a whole. An alignment of Aurum's interests with its clients' interests is at the heart of any investment decision. Aurum believes that considering various aspects of ESG is an essential component to good investment decision-making.

## Operational Due Diligence (ODD)

Aurum's ODD process is designed to highlight issues that could exclude a fund based on ESG criteria.

ESG issues are incorporated into the investment decision-making process when Aurum considers prospective investments and when monitoring existing investments. The core focus of this assessment is on corporate governance. Aurum requires manager personnel and fund directors to have adequate skills and background knowledge. Amongst other things, internal processes, control measures, risk tools, incentive systems and policies on proxy voting and conflicts of interests are reviewed. Additionally, close relationships with managers facilitate constructive dialogue around the topic of ESG.

## Outcome

- For Aurum's first submission in 2014 we were awarded a B. We are pleased to report that in 2015 we received an A rating, which we have maintained each year since.
- As an allocator to hedge funds, Aurum has insight at an industry level as well as a role in influencing hedge funds. In 2018 Aurum was represented in the PRI's Hedge Fund Working Groups, which were tasked with developing hedge fund industry guides for the incorporation of ESG factors in the investment decision-making process according to different strategies.

## Impact

In 2018:

- Aurum participated in PRI's hedge fund working group calls and meetings
- Aurum gave input into the PRI proposed hedge fund module for the 2019 reporting framework.

## Outcome

- Independent ODD team advising the board
- ESG considerations incorporated into both new investment and annual monitoring report templates

## Impact

- Only funds with robust corporate governance structures are allocated to. Funds with inadequate frameworks are required to improve them before any potential investment
- Ongoing dialogue with managers regarding ESG issues

**Directors' Report**

The Directors have the pleasure to present the annual report and audited financial statements of Aurum Isis Sterling Fund Ltd. (the "Company" or the "Sterling Fund") for the year ended 31 December 2018 as set out herein in respect of matters required by the Bermuda Stock Exchange listing regulations.

**Principal Material Changes**

The Company was delisted from the Irish Stock Exchange on 8 August 2018. Continental Management Limited was appointed Secretary to the Company on 14 November 2018. There have been no material changes in the objectives, strategies or other key service providers of the Company during the year ended 31 December 2018.

**Principal Activities**

At 31 December 2018 the Net Asset Value ("NAV") per Participating Share for each class of share was as follows:

Share Class	NAV per Participating Share	
	31/12/2018	31/12/2017
Standard Sterling Share Class Restricted	£166.46	£165.73
Standard Sterling Share Class Unrestricted	£114.23	£112.54
Professional Sterling Share Class Restricted	£115.66	£114.31
Professional Sterling Share Class Unrestricted	£118.11	£115.51

Shares of the Sterling Fund are denominated in sterling. The Sterling Fund is one of eight Feeder Funds (the "Feeder Funds") comprising the Sterling Fund, Aurum Isis Institutional Sterling Fund Ltd. (the "Institutional Sterling Fund"), Aurum Isis Swiss Franc Fund Ltd. (the "Swiss Franc Fund"), Aurum Isis Dollar Fund Ltd. (the "Dollar Fund"), Aurum Isis Institutional Dollar Fund Ltd. (the "Institutional Dollar Fund"), Aurum Isis Euro Fund Ltd. (the "Euro Fund"), Aurum Isis Institutional Euro Fund Ltd. (the "Institutional Euro Fund") and Aurum Isis Australian Dollar Fund Ltd. (the "Australian Dollar Fund") that invest in Aurum Isis Fund Ltd. (the "Master Fund"). The Feeder Funds have sterling, Swiss franc, US dollar, euro and Australian dollar denominated shares respectively. The Sterling Fund is listed on the Bermuda Stock Exchange.

The Feeder Funds must invest solely into Participating Shares of the Master Fund, except in the case of the Sterling, Institutional Sterling, Swiss Franc, Euro, Institutional Euro and Australian Dollar Funds in respect of currency hedging. The Participating Shares of the Master Fund are valued in US dollar. The Sterling, Institutional Sterling, Swiss Franc, Euro, Institutional Euro and Australian Dollar Funds whilst investing into US dollar denominated Participating Shares of the Master Fund will, by appropriate currency hedging, seek to protect the value of their shares in their respective currencies. The Master Fund pays the fees of the Administrators, Custodian, audit, formation and minor out of pocket expenses and Directors' fees of all Funds. Each Feeder Fund will otherwise bear its own costs and liabilities.

The Company's performance is allied with the performance of the Master Fund. The Performance Review, the Market Review and Outlook for the Master Fund for the year ended 31 December 2018, is contained within the annual report of the Master Fund, which is appended to the Company's financial statements.

No dividends have been declared in the year ended 31 December 2018 (2017: £Nil) and the Directors do not recommend the payment of any dividends for the year ended 31 December 2018 (2017: £Nil).

**Remuneration**

The Directors are considered to be the only identified staff for the purposes of the European Union (Alternative Investment Fund Managers) Regulations 2013. The Directors are entitled to remuneration for their services from the Master Fund, please refer to the accompanying Master Fund financial statements for details of remuneration paid to the Directors.

**Connected parties**

Transactions carried out with the Company by the Administrator, Bermuda Administrator, Investment Adviser, Custodian, Directors and other connected parties ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the Shareholders.

The Directors are satisfied all transactions with connected parties entered into during the year were conducted at arm's length prices.

Details of related parties and related party transactions are disclosed in note 7 of the notes to the financial statements.

**Directors' Report (Continued)**

Thanks

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

For and on behalf of Aurum Isis Sterling Fund Ltd.



Director  
14 March 2019

## AURUM ISIS STERLING FUND LTD.

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### Portfolio Statement as at 31 December 2018

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	31 December 2018				31 December 2017			
	Nominal holding of shares	Cost £	Fair Value £	% of NAV %	Nominal holding of shares	Cost £	Fair Value £	% of NAV %
Aurum Isis Fund Ltd.	81,946	15,073,180	22,078,991	102.06%	92,766	16,185,139	22,572,668	98.63%
Other assets			1,531	0.01%			756,643	3.31%
Total assets			22,080,522	102.07%			23,329,311	101.94%
Other liabilities			(447,757)	(2.07%)			(444,061)	(1.94%)
Total net assets			21,632,765	100.00%			22,885,250	100.00%

**Independent Auditor's Report to the Shareholders of Aurum Isis Sterling Fund Ltd.**

1 Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of Aurum Isis Sterling Fund Ltd. (the "Company") for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income for the year ended 31 December 2018, the Statement of Financial Position as at 31 December 2018, the Statement of Cash Flows for the year then ended, and related notes, including the summary of significant accounting policies set out in note 2.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Valuation of investments in funds*

Refer to the accounting policy in note 2 and to note 8 'Financial instruments and risk exposure' to the financial statements.

*The key audit matter*

*Valuation of financial assets*

The Company is a Feeder Fund whose main investment is an investment into Aurum Isis Fund Ltd. (the "Master Fund").

The investment portfolio at 31 December 2018 comprised of the investment into the Master Fund. The valuation of this investment is the key driver of the Company's net asset value and performance for the year. While the nature of the Company's investment does not require a significant level of judgement because the underlying value of the fund is observable, due to its significance in the context of the financial statements as a whole, financial assets was identified as a risk of material misstatement which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

*How the matter was addressed in our audit*

Our audit procedures included, but were not limited to:

- Documented the processes in place to record investment transactions and to value the investments, including assessing the design and implementation of the controls over valuation of investments;
- Audited the Master Fund in accordance with ISAs and issued an unqualified audit opinion thereon; and
- Assessed whether the Master Fund's net asset value was an appropriate approximation of fair value.

We noted no material exceptions arising from our audit procedures.

*Other information*

The Directors are responsible for preparation of other information accompanying the financial statements. The other information comprises the Directors and Service Providers, the Environmental, Social and Governance Statement, the Directors' Report and the Portfolio Statement as at 31 December 2018, but does not include the financial statements and related notes, and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent Auditor's Report to the Shareholders of Aurum Isis Sterling Fund Ltd. (Continued)**

2 Respective responsibilities and restrictions on use

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix of this report, which is to be read as an integral part of our report.

Our report is made solely to the Company's Shareholders, 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 responsibilities to anyone other than the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

The Engagement Partner on the audit resulting in this independent Auditor's Report is Mrs. D. Barrett.

*KPMG*

KPMG  
Chartered Accountants, Statutory Audit Firm  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

Date: 14 March 2019

**Independent Auditor's Report to the Shareholders of Aurum Isis Sterling Fund Ltd. (Continued)**

Appendix to the Independent Auditor's Report

*Further information regarding the scope of our responsibilities as Auditor*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement of Comprehensive Income**  
for the year ended 31 December 2018

	note	2018 £	2017 £
<b>Gains from financial assets at fair value through profit or loss</b>			
Net gain on investments	2, 11	563,644	1,321,469
Unrestricted income allocation	5	25,829	5,846
Other income			
Interest income	2	67	–
<b>Total revenue</b>		<b>589,540</b>	<b>1,327,315</b>
<b>Operating expenses</b>			
Investment Adviser fees	3, 7	399,814	419,794
Incentive fees	3, 7	20,880	10,175
<b>Total operating expenses</b>		<b>420,694</b>	<b>429,969</b>
<b>Operating profit before finance cost</b>		<b>168,846</b>	<b>897,346</b>
Finance costs	6	512	1,993
<b>Total finance costs</b>		<b>512</b>	<b>1,993</b>
<b>Change in net assets attributable to holders of Participating Shares resulting from operations</b>		<b>168,334</b>	<b>895,353</b>

*The accompanying notes form part of these financial statements.*



**Statement of Financial Position**

as at 31 December 2018

	note	2018 £	2017 £
<b>Assets</b>			
Financial assets at fair value through profit or loss			
Investments at fair value	2, 10	22,078,991	22,572,668
Unrealised appreciation on forward foreign exchange contracts	9, 10	1,206	403,294
Financial assets at amortised cost			
Other receivables		325	–
Cash and cash equivalents	2	–	353,349
<b>Total assets</b>		<b>22,080,522</b>	<b>23,329,311</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
Unrealised depreciation on forward foreign exchange contracts	9, 10	382,824	2,273
Financial liabilities at amortised cost			
Investment Adviser fees payable	3, 7	32,778	34,988
Bank overdraft	2, 6	32,114	406,442
Other payables		41	358
<b>Total liabilities (excluding amounts attributable to holders of Participating Shares)</b>		<b>447,757</b>	<b>444,061</b>
<b>Net assets attributable to holders of Participating and Sponsor Shares</b>	5	<b>21,632,765</b>	<b>22,885,250</b>
<b>Net assets attributable to holders of Participating Shares</b>	5	<b>21,632,764</b>	<b>22,885,249</b>
<b>Equity</b>			
Net assets attributable to holders of Sponsor Shares	5	1	1
<b>Total Equity</b>		<b>1</b>	<b>1</b>

These financial statements were approved by the Directors on 14 March 2019 and signed on their behalf by:



Director  
14 March 2019



Director  
14 March 2019

*The accompanying notes form part of these financial statements.*

**Statement of Cash Flows**

for the year ended 31 December 2018

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Change in net assets attributable to holders of Participating Shares resulting from operations	168,334	895,353
Adjustment for		
Change in financial assets at fair value through profit or loss	1,276,315	(3,050,421)
Finance costs	512	1,993
Interest income	67	-
Changes in operating assets and liabilities		
(Increase)/Decrease in receivables	(413)	(4)
(Decrease)/increase in payables	(2,564)	5,696
Interest received	21	6
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,442,272</b>	<b>(2,147,377)</b>
<b>Cash flows from financing activities</b>		
Finance costs	(475)	(2,026)
Subscriptions for shares	3,268,507	1,858,576
Redemption of shares	(4,689,325)	(2,771,998)
<b>Net cash outflow from financing activities</b>	<b>(1,421,293)</b>	<b>(915,448)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>20,979</b>	<b>(3,062,825)</b>
Cash and cash equivalents at the beginning of the year	(53,093)	3,009,732
<b>Cash and cash equivalents at the end of the year</b>	<b>(32,114)</b>	<b>(53,093)</b>

*The accompanying notes form part of these financial statements.*

## 1. General

Aurum Isis Sterling Fund Ltd. (the "Sterling Fund" or the "Company") was incorporated in Bermuda on 30 October 2004 under the Bermuda 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 in the Participating Shares of Aurum Isis Fund Ltd. (the "Master Fund"). The annual report and audited financial statements of the Master Fund for the year ended 31 December 2018 form an integral part of these financial statements and should therefore be read in conjunction with these financial statements.

The audited financial statements were approved by the Board of Directors on 14 March 2019.

## 2. Significant Accounting Policies

The significant 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") as issued by the International Accounting Standards Board ("IASB").

The Company has adopted IFRS 9 "Financial Instruments" with a date of initial application of 1 January 2018.

The adoption of IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior period. The comparative figures for the year ended 31 December 2017 have not been restated.

Other than the above, the accounting policies have been applied consistently by the Company.

### Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss that have been measured at fair value.

The financial statements have been prepared on a going concern basis.

The functional currency of the Company is sterling as the Directors have determined that this reflects the Company's primary economic environment. The presentation currency of the financial statements is also sterling.

### New Standards and Interpretations Applicable from 1 January 2018

IFRS 9 "Financial Instruments", specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard also contains the new hedge accounting rules. The impact of IFRS 9 "Financial Instruments" on the Falcon Fund is noted below in "Financial Assets - policy applicable from 1 January 2018".

### New Standards and Interpretations Applicable to Future Reporting Periods

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Company has not early adopted them in preparing these financial statements, however, it is expected that they will have minimal effect on its financial statements.

The Directors have considered all the upcoming IASB standards and do not consider any to be of material relevance to the financial statements of the Company.

### Financial Assets and Financial Liabilities

#### *Recognition and initial measurement*

Purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

#### *Classification*

##### *Financial Assets - policy applicable from 1 January 2018*

On initial recognition, a financial asset is classified as measured at: amortised cost, at fair value through other comprehensive income ("FVTOCI") or at FVTPL.

The Company classifies its investments based on the contractual cash flow characteristics of the financial assets and the Company's business model.

## 2. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

*Classification (continued)*

*Financial Assets - policy applicable from 1 January 2018 (continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- The contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL, this includes all derivatives financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial Assets at Fair Value*

The Company holds Master Fund at fair value of £22,078,991 at 31 December 2018 (2017: £22,572,668). On adoption of IFRS 9 these securities are mandatorily classified as FVTPL, as the contractual cash flows are not solely principal and interest and therefore, are measured at FVTPL.

As such, the Company classifies all of its investment portfolio as financial assets at FVTPL.

*Financial Assets at Amortised Cost*

These include receivables for securities sold which are held for collection, securities purchased not yet delivered to the Company, other receivables and cash and cash equivalents. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. At each reporting date, the Company shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses, or shorter if the receivable is expected to settle in less than 12 months.

Significant increase in credit risk is defined by the Board of Directors as any contractual payment which is more than 30 days past due.

*Financial Liabilities*

The Company classifies its financial liabilities other than derivatives, as measured at amortised cost. Derivatives, if any, not designated in a qualifying hedge relationship are mandatorily classified at FVTPL.

*Classification of financial assets and liabilities – Policy applicable before 1 January 2018*

- The Investee Fund investments were designated at FVTPL in accordance with IAS 39 as they are managed on a fair value basis and their performance is monitored on this basis.
- Cash and cash equivalents and bank overdrafts, balances due from brokers and other receivables were classified as loans and receivables and measured at amortised cost.
- Derivative financial instruments were held for trading and therefore measured at FVTPL.
- Other financial liabilities were classified as measured at amortised cost.

*Offsetting*

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

For the year ended 31 December 2018, and 31 December 2017, there were no financial assets or liabilities subject to enforceable master netting arrangements or similar agreements which would require disclosure.

## 2. Significant Accounting Policies (Continued)

### Financial Assets and Financial Liabilities (continued)

#### *Derecognition*

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, they expire or they are surrendered. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or it expires.

#### *Participating Shares*

Under IFRS, Participating Shares redeemable at the shareholder's option are classified as financial liabilities and the format of the Statement of Financial Position reflects this in accordance with IAS 32 "Financial Instruments: Presentation". The net assets attributable to holders of Participating Shares are stated at the present value of the redemption amount on the reporting date without discounting, which are measured at amortised cost.

#### *Sponsor Shares*

Sponsor Shares are classified as equity based on the substance of the contractual arrangements between the Company and the Sponsor Shareholder and in accordance with the definition of equity instruments under IAS 32. The Sponsor Shareholder's equity is stated at original cost.

#### *Translation of Foreign Currencies*

Transactions in currencies other than sterling are recorded at the rate prevailing on the date of the transaction. At each reporting date, non sterling denominated monetary items and assets and liabilities measured at fair value are retranslated at the rate prevailing on the reporting date. Foreign currency exchange differences related to investments at fair value through profit or loss are included in Net gain on investments. All other differences are reflected in net profit or loss for the year.

#### *Net Gain on Investments*

Net gain on investments includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest.

Net realised gain on investments is calculated using the average cost method.

#### *Interest Income*

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

#### *Cash and Cash Equivalents and Bank Overdraft*

Cash and cash equivalents comprise cash balances held at banks. Bank overdrafts are repayable on demand. In the Statement of Cash Flows, cash and cash equivalents are shown net of any short term overdrafts which are repayable on demand, and form an integral part of the Company's cash management.

#### *Expenses*

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

#### *Significant Accounting Judgements and Estimates*

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements 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 amount of income and expenses during the year. Actual results could differ from those estimates.

Revisions to accounting estimates are recognised in the year in which an estimate is revised. The areas of estimates which have the most significant effect on the amounts recognised in the financial statements are valuation of investments and involvement with unconsolidated structured entities which are disclosed within the Master Fund's financial statements in note 9 'Financial Instruments and Risk Exposure' and note 10 'Fair Value Measurement' of those financial statements.

The Board of Directors has assessed and concluded that the cash flows generated by the Investee Funds are not solely payments of principal and interest (SPPI). Based on this, the Investee Funds are mandatorily classified and measured at FVTPL.

## 2. Significant Accounting Policies (Continued)

### Master Fund

The Master Fund is not considered to be a subsidiary of the Company as the Investment Adviser beneficially holds all general voting shares which give the holder the current ability to direct the activities that significantly affect the returns of both the Company and the Master Fund. IFRS 10 "Consolidated Financial Statements" single control model states that an entity has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Directors are satisfied that the Master Fund does not meet the definition of a subsidiary in accordance with IFRS 10.

### Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; restricted activities, a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, insufficient equity to permit the structured entity to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company has determined that its investment in the Master Fund represents an investment in an unconsolidated structured entity. The Master Fund finances its operations by issuing redeemable shares which are puttable at the holders' option and entitle the holder to a proportional stake in the Master Fund's net assets. The change in fair value of the Company's holding in the Master Fund is included in the Statement of Comprehensive Income within Net gain on investments.

The Directors believe that the requirements of IFRS 12 "Disclosure of Interests in Other Entities", in relation to structured entities, are observed by appending the Master Fund's financial statements to the Company's financial statements.

## 3. Investment Adviser and Incentive Fees

The Company pays the Investment Adviser an annual percentage fee (the "Investment Adviser Fee") and a performance related fee in respect of each class of share where certain performance criteria have been met (the "Incentive Fee"). Both the Investment Adviser Fee and Incentive Fee are calculated monthly and paid monthly in arrears.

The Investment Adviser Fee and Incentive Fee are calculated based on a percentage of the Gross Asset Value of the Company as at the relevant month end. The Gross Asset Value means the value of the assets of the Company at a valuation point less the liabilities and accrued expenses of the Company other than liabilities that relate to Investment Adviser Fees, Incentive Fees, Administrator Fees, Custodian Fees, Directors' Fees, Audit Fees, Formation Expenses and Sundry Expenses each as incurred with respect to the valuation period ending on such valuation point.

The Incentive Fee is equal to the number of Participating Shares in the Company multiplied by a percentage of the amount by which the Gross Asset Value per Participating Share on a valuation day exceeds the higher of:

- (i) The Base Value: the Net Asset Value per Participating Share on the Base Date increased by the relevant hurdle of 1/12 of the annualised hurdle rate multiplied by the number of performance fee periods since the last Base Date. The Base Date is the last valuation day in the immediately preceding calendar year or, if later, the first valuation day in respect of a share class; or
- (ii) The High Water Mark: the Net Asset Value per Participating Share on the last valuation day upon which an Incentive Fee was crystallised or, if higher, the initial Net Asset Value per Participating Share upon inception of that share class.

The percentage fees applicable to each share class are as follows:

Share Class	Investment Adviser Fee	Incentive Fee	Incentive Fee Hurdle
Standard Sterling Share Class Restricted	2.00%	15.00%	10.00%
Standard Sterling Share Class Unrestricted	2.00%	15.00%	10.00%
Professional Sterling Share Class Restricted	1.25%	10.00%	5.00%
Professional Sterling Share Class Unrestricted	1.25%	10.00%	5.00%

In so far as the Master Fund invests in other Aurum Funds no fees are payable on the amount so invested in addition to those already charged by such Aurum Funds.

## 4. Fees

The Company pays no direct fees other than the Investment Adviser Fee and Incentive Fee outlined in note 3. Please refer to the accompanying Master Fund's financial statements for notes to the financial statements regarding fees paid by the Master Fund.

## 5. Share Capital and Net Asset Value per Participating Share

	December 2018 £	December 2017 £
<b>Authorised share capital of £0.001 par value per share</b>		
1,000 Sponsor Shares (presented as equity in accordance with IAS 32)	1	1
5,999,000 Participating Shares (presented as a liability in accordance with IAS 32)	5,999	5,999
<b>Authorised share capital</b>	<b>6,000</b>	<b>6,000</b>

All of the Sponsor Shares have been issued to and are beneficially owned by the Investment Adviser.

The Sponsor Shares carry the right to attend and vote at all general meetings of the Company without restriction and are entitled to one vote for every Sponsor Share. 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 carry the right to notice of, and to attend, all general meetings of the Company but not to vote except in certain circumstances that may seek to alter the Participating Shareholder's rights or entitlements, in which event one Participating Share carries the right to one vote and a fraction of a Participating Share carries the right to a fraction of one vote. 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			
	Standard Sterling Share Class Restricted	Standard Sterling Share Class Unrestricted	Professional Sterling Share Class Restricted	Professional Sterling Share Class Unrestricted
Opening as at 1 January 2018	102,205.33	7,125.08	24,677.19	20,111.26
Issued during the year	8,228.31	–	1,199.75	14,860.71
Redeemed during the year	(17,406.74)	–	(4,282.83)	(10,962.88)
<b>Closing as at 31 December 2018</b>	<b>93,026.90</b>	<b>7,125.08</b>	<b>21,594.11</b>	<b>24,009.09</b>

	Number of Participating Shares			
	Standard Sterling Share Class Restricted	Standard Sterling Share Class Unrestricted	Professional Sterling Share Class Restricted	Professional Sterling Share Class Unrestricted
Opening as at 1 January 2017	84,418.32	14,307.18	21,189.12	18,725.12
Issued during the year	28,171.69	34.94	7,336.31	3,941.23
Redeemed during the year	(10,384.68)	(7,217.03)	(3,848.25)	(2,555.09)
<b>Closing as at 31 December 2017</b>	<b>102,205.33</b>	<b>7,125.09</b>	<b>24,677.18</b>	<b>20,111.26</b>

The Net Asset Value per Participating Share is calculated by dividing the net assets attributable to holders of Participating Shares included in the Statement of Financial Position by the number of Participating Shares in issue at the year end according to the rights and restrictions applicable to each share class.

From time to time the Master Fund may invest in Investee Funds that may be part of an Initial Public Offering ("IPO"), gains or losses related to an IPO may not be attributed to Participating Shareholders that have elected to be treated as restricted persons under US FINRA rules 5130 and 5131 or failed to convert their shares into unrestricted shares. Therefore, such gains or losses are attributed to Participating Share Classes designated as 'Unrestricted' as they arise on a proportional basis.



## 5. Share Capital and Net Asset Value per Participating Share (Continued)

### Statement of Changes in Sponsor and Participating Shares

for the year ended 31 December 2018

	Sponsor Shares £	Standard Sterling Share Class Restricted £	Standard Sterling Share Class Unrestricted £	Professional Sterling Share Class Restricted £	Professional Sterling Share Class Unrestricted £	Total £
<b>Balance at 1 January 2018</b>	1	16,939,339	801,859	2,820,853	2,323,198	22,885,250
Change in net assets attributable to holders of Participating Shares resulting from operations	–	79,935	12,079	29,007	47,313	168,334
Subscriptions during the year	–	1,379,707	–	138,800	1,750,000	3,268,507
Redemptions during the year	–	(2,913,573)	–	(491,065)	(1,284,688)	(4,689,326)
<b>Balance at 31 December 2018</b>	1	15,485,408	813,938	2,497,595	2,835,823	21,632,765
Number of Participating Shares in issue	n/a	93,026.90	7,125.08	21,594.11	24,009.09	145,755.18
<b>Net Asset Value Per Participating Share</b>	n/a	166.46	114.23	115.66	118.11	n/a

	Sponsor Shares £	Standard Sterling Share Class Restricted £	Standard Sterling Share Class Unrestricted £	Professional Sterling Share Class Restricted £	Professional Sterling Share Class Unrestricted £	Total £
<b>Balance at 1 January 2017</b>	1	13,463,572	1,546,437	2,318,163	2,066,907	19,395,080
Change in net assets attributable to holders of Participating Shares resulting from operations	–	651,884	38,582	110,385	94,502	895,353
Subscriptions during the year	–	4,512,336	3,793	825,544	450,000	5,791,673
Redemptions during the year	–	(1,688,453)	(786,953)	(433,239)	(288,211)	(3,196,856)
<b>Balance at 31 December 2017</b>	1	16,939,339	801,859	2,820,853	2,323,198	22,885,250
Number of Participating Shares in issue	n/a	102,205.33	7,125.08	24,677.19	20,111.26	154,118.86
<b>Net Asset Value Per Participating Share</b>	n/a	165.73	112.54	114.31	115.51	n/a

The capital of the Company is represented by the net assets attributable to holders of Participating Shares. The amount of net assets attributable to holders of Participating Shares can change significantly on a monthly basis, as the Company is subject to monthly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Company's performance. The objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns for shareholders and maintain a strong capital base to support the development of the investment activities.

In order to maintain the capital structure, the policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within the month.
- Redeem and issue new Participating Shares in accordance with the constitutional documents.

The Board of Directors monitor capital on the basis of the value of net assets attributable to Participating Shareholders.

## 6. Bank Overdraft

The Company has an ongoing credit facility with The Northern Trust Company, and is secured over the portfolio of the Company. The Northern Trust Company is entitled to interest ("Interest Charges") at an annual rate of 1.5% above the Northern Trust base rate of 0.75% (2017: 0.25%) on any overdrawn balances. The Interest Charges are incurred daily and are included in the Statement of Comprehensive Income within Finance costs.



## 7. Related Parties

In accordance with IAS 24 "Related Party Disclosures" the related parties to the Company are outlined below.

The Company's connected and related parties include the Directors, the Administrator and its affiliates, the Bermuda Administrator, the Investment Adviser and the Custodian. Amounts incurred during the year and amounts due as at the Statement of Financial Position date in relation to these related parties are shown on the face of the financial statements.

### Key Management Personnel

Mrs T Gibbons is a Director of the Investment Adviser. Mr M J Harvey, Mr A Hopkin and Mr D R Cottingham are Directors of Continental Management Limited, the Secretary, and Directors of, and directly and indirectly hold shares in, the Investment Adviser. Mr K Gundle is a Shareholder of, and is Vice President of Information with, the Investment Adviser. Mr D R Cottingham and Mr M J Harvey are Directors of Global Fund Services Ltd., the Bermuda Administrator. Mr A Hopkin and Mr M J Harvey are Directors of Continental Sponsors Ltd., the sponsoring broker on the Bermuda Stock Exchange.

The Directors are entitled to remuneration for their services from the Master Fund, please refer to the accompanying Master Fund financial statements for details of remuneration paid to the Directors.

The Investment Adviser owns all Sponsor Shares of the Company. At 31 December 2018, Directors and parties so connected did not directly or indirectly hold Participating Shares in the Company (2017: Nil).

The Investment Adviser is also the sponsor, adviser and investment manager to a number of other investment companies and the Directors of the Company and the Investment Adviser may serve as Directors of such companies.

### Other Key Contracts

Please refer to the accompanying Master Fund financial statements for details related to Other Key Contracts.

## 8. Financial Instruments and Risk Exposure

The Company invests all its assets, other than currency hedging, into the Master Fund which is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds. These risks are explained in the financial statements of the Master Fund which are attached. Financial instruments include investments, cash and cash equivalents, interest receivable, dividends receivable, subscriptions receivable, bank overdrafts, accrued expenses, redemptions payable, subscriptions to shares not yet allotted and Participating Shares presented as financial liabilities.

The Master Fund and the Feeder Funds operate as an integrated structure whereby the Feeder Funds invest solely into the Master Fund except in respect of currency hedging. Total subscriptions made by the Company into the Master Fund during the year were £2,644,227 (2017: £5,115,434) and total redemptions made by the Company out of the Master Fund during the year were £5,397,280 (2017: £1,863,984).

Investments in the Master Fund are recorded at the Net Asset Value per share as reported by the Administrator of the Master Fund at the measurement date. Where the Administrator is 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 31 December 2018, and 31 December 2017, 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 adjustment to the Net Asset Value per share provided in order to arrive at fair value.

As at 31 December 2018, and 31 December 2017, the Company had no capital commitment obligations and no amounts were due from the Company for unsettled purchases. The Company invests into the Master Fund by purchasing the Master Fund's redeemable Participating Shares. The Master Fund allows redemption of these shares on a monthly basis with a 90 day notification period. Movements in the fair value of the Master Fund's portfolio and corresponding movements in the fair value of the Company expose the Company to a profit or loss.

**8. Financial Instruments and Risk Exposure (Continued)**

## Liquidity Risk

The following table shows the contractual undiscounted cash flows of the Company's financial liabilities on the basis of the earliest possible maturity. Participating Shares may be redeemed on a monthly basis subject to 90 days prior notice.

**As at 31 December 2018**

<b>Liabilities</b>	<b>&lt; 1 month £</b>	<b>1 - 3 months £</b>	<b>3 months to 1 Year £</b>	<b>Total £</b>
Unrealised depreciation on forward foreign exchange contracts				
- Inflow	(7,287,647)	(14,279,406)	–	(21,567,053)
- Outflow	7,546,935	14,402,942	–	21,949,877
Bank overdraft	32,114	–	–	32,114
Investment Adviser fees payable	32,778	–	–	32,778
Other payables	41	–	–	41
Net assets attributable to holders of Participating Shares	–	–	21,632,764	21,632,764
<b>Total Liabilities</b>	<b>324,221</b>	<b>123,536</b>	<b>21,632,764</b>	<b>22,080,521</b>

**As at 31 December 2017**

<b>Liabilities</b>	<b>&lt; 1 month £</b>	<b>1 - 3 months £</b>	<b>3 months to 1 Year £</b>	<b>Total £</b>
Unrealised depreciation on forward foreign exchange contracts				
- Inflow	(148,922)	(73,080)	–	(222,002)
- Outflow	150,660	73,615	–	224,275
Bank overdraft	406,442	–	–	406,442
Investment Adviser fees payable	34,988	–	–	34,988
Other payables	358	–	–	358
Net assets attributable to holders of Participating Shares	–	–	22,885,249	22,885,249
<b>Total Liabilities</b>	<b>443,526</b>	<b>535</b>	<b>22,885,249</b>	<b>23,329,310</b>

## Currency Risk

The Company is exposed to currency risk in pursuit of its investment objective, set out in note 1 'General'. The currency risk is managed on a monthly basis using Forward Foreign Exchange Contracts.

At the Statement of Financial Position date there was a net exposure to currency risk:

**As at 31 December 2018**

Currency	Monetary Assets £	Monetary Liabilities £	Forward Foreign Exchange Contracts £	Net Exposure £
US dollar	22,079,003	(32,114)	(21,693,443)	353,446

**As at 31 December 2017**

Currency	Monetary Assets £	Monetary Liabilities £	Forward Foreign Exchange Contracts £	Net Exposure £
US dollar	22,572,668	(406,442)	(21,977,532)	188,694

## Leverage

The Master Fund and the Feeder Funds may use overall leverage up to a maximum of 30% of the Master Fund's and the Feeder Funds' total assets, without double counting, from time to time for general investment purposes or to facilitate redemptions.

During the year the maximum leverage utilised by the Company, measured at any one month end, was less than 8% (2017: less than 4%). Please refer to the Master Fund financial statements for details of the maximum leverage utilised by the Master Fund.

## 9. Forward Foreign Exchange Contracts

As at 31 December 2018, the Company had entered into and not closed Forward Foreign Exchange Contracts to hedge the value of the Company's portfolio. The contracts, along with cash and cash equivalents and bank overdrafts, are held with the custodian. The custodian is a wholly owned subsidiary of Northern Trust Corporation that had a Long Term Rating from Standard and Poor's of A+ at 31 December 2018 (31 December 2017: A+).

### Open Forward Foreign Currency Transactions at 31 December 2018

Currency Sold	Currency Bought	Currency Rate	Maturity date	Unrealised Gain/(Loss) £
£ 95,476	US\$	0.7791	31 January 2019	606
£ 95,351	US\$	0.0778	28 February 2019	600
£ 32,331	US\$	0.7905	31 January 2019	(261)
US\$ 318,950	£	1.2801	31 January 2019	(933)
US\$ 165,113	£	1.2894	31 January 2019	(1,408)
US\$ 9,142,382	£	1.2870	29 March 2019	(44,495)
US\$ 9,264,921	£	1.2912	28 February 2019	(79,041)
US\$ 9,099,809	£	1.3230	31 January 2019	(256,686)
				<u>(381,618)</u>

### Open Forward Foreign Currency Transactions at 31 December 2017

Currency Sold	Currency Bought	Currency Rate	Maturity date	Unrealised Gain/(Loss) £
US\$ 10,130,676	£	1.3134	31 January 2018	231,739
US\$ 10,028,063	£	1.3337	28 February 2018	119,603
US\$ 9,929,022	£	1.3471	29 March 2018	51,952
£ 73,656	US\$	0.7437	31 January 2018	(514)
£ 73,615	US\$	0.7433	28 February 2018	(535)
£ 77,004	US\$	0.7504	31 January 2018	(1,224)
				<u>401,021</u>

## 10. Fair Value Measurement

The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The categorisation of assets and liabilities within the hierarchy is explained in note 10 of the Master Fund's notes to the financial statements.

The fair value of investments in the Master Fund is determined either using unadjusted net asset value (Level 2 valuation). The unadjusted net asset value is used because the units in the Master Fund are redeemable at the reportable net asset value at, or approximately at, the measurement date. If this were not to be the case, then the net asset value would be used as a valuation input and an adjustment applied for lack of marketability or liquidity generally based on available market information (Level 3 valuation). Any adjustment would be based on management judgement after considering the period of restrictions and the nature of the Master Fund.

The fair value of Forward Foreign Exchange Contracts is determined by using quoted forward exchange rates at the reporting date (Level 2 valuation) less contracted forward exchange rates.

The following table represents the financial instruments carried on the Statement of Financial Position at fair value by level within the valuation hierarchy, under IFRS 13 "Fair Value Measurement", as at 31 December 2018 and 31 December 2017:

Financial assets and liabilities at fair value through profit or loss at 31 December 2018	Level 1	Level 2	Level 3	Total
	£	£	£	£
Aurum Isis Fund Ltd.	–	22,078,991	–	22,078,991
Net unrealised depreciation on Forward Foreign Exchange Contracts	–	(381,618)	–	(381,618)
Financial assets and liabilities at fair value through profit or loss at 31 December 2018	–	21,697,373	–	21,697,373

**10. Fair Value Measurement (Continued)**

Financial assets and liabilities at fair value through profit or loss at 31 December 2017				
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Aurum Isis Fund Ltd.	–	22,572,668	–	22,572,668
Net unrealised appreciation on Forward Foreign Exchange Contracts	–	401,021	–	401,021
Financial assets and liabilities at fair value through profit or loss at 31 December 2017	–	22,973,689	–	22,973,689

There were no transfers between Levels 1, 2 or 3 assets held in either year.

No investments have been classified within Level 3 at any time during the year, consequently no reconciliation of Level 3 fair value measurements is required.

For the year ended 31 December 2018, and 31 December 2017, all other assets and liabilities, other than investments at fair value, whose carrying amounts approximate fair value would have been considered to be classified within Level 2 of the fair value hierarchy if such classification was required.

The Company redeems and issues redeemable Participating Shares at the amount equal to the proportionate share of net assets of the Company at the time of subscription or redemption, calculated on a basis consistent with that used in the financial statements. Accordingly, the carrying amount of Net assets attributable to holders of Participating Shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

**11. Movement on Investments**

Gains and losses related to investments are recognised in the Statement of Comprehensive Income within Net gain on investments. The net gain comprises unrealised gains and losses reflecting the movement in the fair value of investments and forward foreign currency contracts held at the 31 December 2018 and realised gains and losses related to investments sold and forward foreign currency contracts settled during the year. The net gain for the year is analysed in the table below:

	2018	2017
	£	£
Realised gain on investments for the year	1,641,093	600,505
Unrealised gain on investments for the year	618,280	–
Unrealised loss on investments for the year	–	(1,121,899)
Realised gain on forward foreign currency contracts for the year	1,576,809	2,084,789
Realised loss on forward foreign currency contracts for the year	(2,489,889)	(632,817)
Unrealised loss on foreign currency holdings for the year	(8)	–
Unrealised gain on forward foreign currency contracts for the year	–	390,891
Unrealised loss on forward foreign currency contracts for the year	(782,641)	–
<b>Net gain on investments for the year</b>	<b>563,644</b>	<b>1,321,469</b>

Where a realised gain or loss that has already been recognised as an unrealised gain or loss in a prior period, a corresponding gain or loss is included in unrealised gain or loss for the current period.

**12. 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 such taxes be enacted, until 31 March 2035.

**13. Subsequent Events**

No events have occurred in respect of the Company subsequent to 31 December 2018 which would require revision or disclosure in these financial statements.