



Fortress Mutual Fund Limited

INVITATION

December 16, 2005

Dear Fund Shareholders,

Under the provisions of Clause 2 of the Articles of Fortress Mutual Fund Limited, holders of Redeemable Mutual Fund shares are entitled to vote only in special circumstances by virtue of Sections 202 (3) and 208 (3) of the Companies Act. Nevertheless Fund Shareholders of Fortress Mutual Funds have traditionally been invited to formal meetings of the Fund.

The Directors have been advised that the procedure should be revisited in keeping with the Company's corporate documents and the Industry's practice. Notwithstanding the above, the Directors of the Fund wish to make every effort to continue the cordial dialogue with Fund Shareholders that has been enjoyed from the inception of the Fund.

On this basis the Fund Shareholders are cordially invited to meet with the Board on Tuesday, the 24th day of January, 2006 at 5:00 p.m. at Sherbourne Conference Centre, Two Mile Hill, St. Michael to review and discuss the performance of the Fund during the preceding year.

With Best Wishes for the Season.



Fortress Fund Managers
For and on behalf of the Board of Directors





commitment to growth; commitment to you

Fortress Mutual Fund Limited
annual report
2005

Directors & Administration



DIRECTORS

Mr. Geoffrey Cave, C.B.E. – Chairman
Mr. Christopher D. Bynoe
Mr. Ken Emery
Sir Fred Gollop
Mr. Anthony King
Mr. Roger Cave – Investment Manager

INDEPENDENT AUDITORS

PricewaterhouseCoopers
Chartered Accountants
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

SECRETARY

Corporate Services Limited
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

CUSTODIAN

FirstCaribbean International Bank
Trust & Asset Management Division
Broad Street
Bridgetown
Barbados

REGISTERED OFFICE

1st Floor, Carlisle House
Hincks Street
Bridgetown
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

Fortress Fund Managers Limited
1st Floor Carlisle House
Hincks Street
Bridgetown
Barbados

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Fax: (246) 431 0514
Internet: www.fortressfund.com
Email: invest@fortressfund.com

ATTORNEY AT LAW

Sir Henry deB. Forde, K.A., Q.C.
Juris Chambers
Fidelity House
Wildey Business Park
St. Michael



Investment Objectives & Fund Details

The Fortress Caribbean Growth Fund is invested to achieve long-term capital appreciation from Caribbean securities. The Fund's assets are invested mainly in shares of companies listed on the Caribbean stock exchanges. The Fund has also invested in unquoted companies and companies listed on international stock exchanges through overseas-managed funds. All income, including interest, dividends and capital gains earned by the Fund, is automatically reinvested and the income value is reflected in the price of the Mutual Fund shares.

The Fund does not pay dividends.

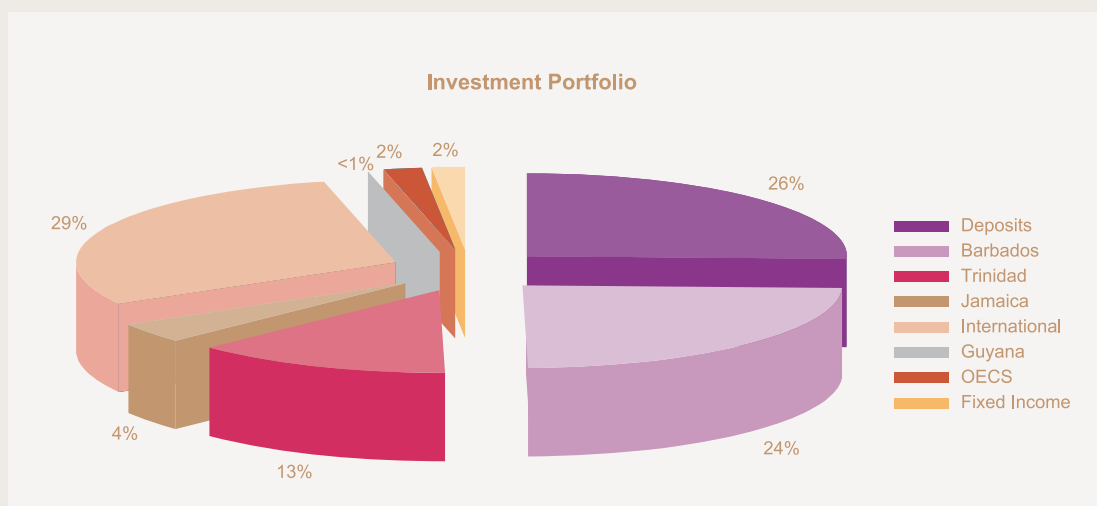
FUND NAME:	Fortress Caribbean Growth Fund
LAUNCH DATE:	December 9, 1996
LAUNCH PRICE:	\$1.00 per share
MINIMUM INVESTMENT:	\$100.00 \$100.00 for subsequent investments \$ 50.00 for monthly savings plan
NET ASSET VALUE PER SHARE:	\$3.91
NET ASSETS:	\$178,769,711
MANAGEMENT EXPENSES:	
Investment Manager & Administrator:	1.75% per annum of the net assets of the Fund
Custodian:	0.175% per annum of the net assets of the Fund
INITIAL CHARGES:	2%
REDEMPTION CHARGES:	None
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited
CUSTODIAN:	FirstCaribbean International Bank
FUND VALUATIONS:	Weekly on Fridays
NAV QUOTATIONS:	Internet: www.fortressfund.com Local Barbados newspapers Lipper Overseas Fund Table

Investment Performance

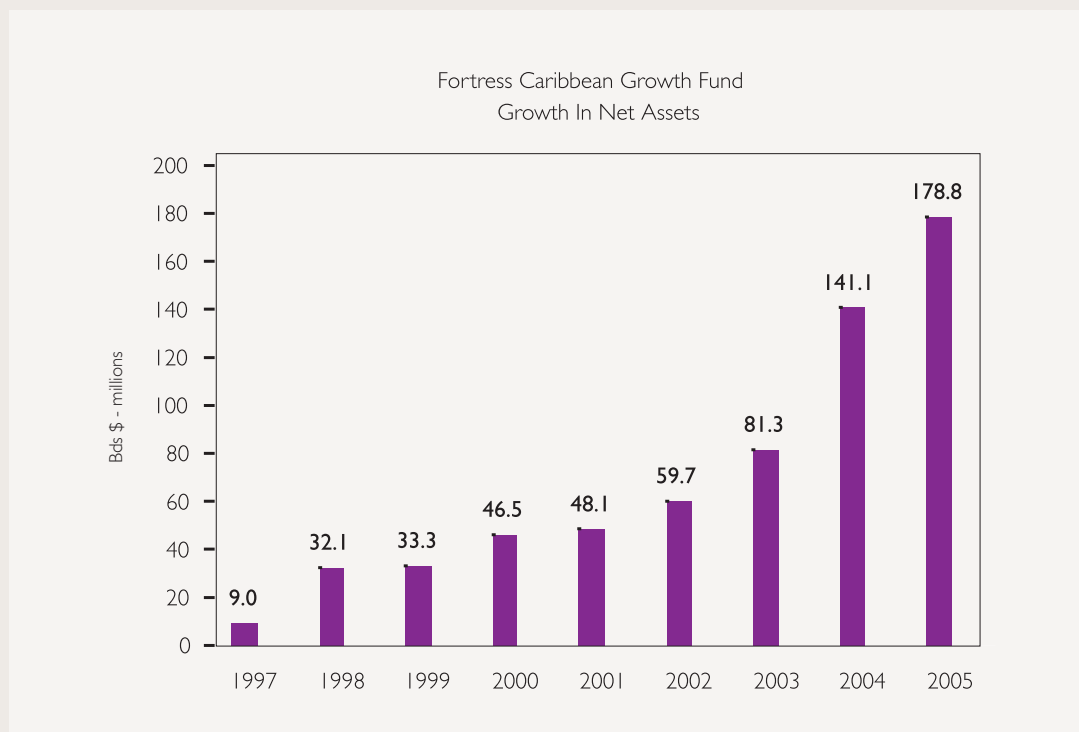


During the year ended September 30, 2005, the increase in the value of the Fortress Caribbean Growth Fund shares was 16.72%.

INVESTMENT PORTFOLIO:



GROWTH OF NET ASSETS:





Directors' Report

The Fortress Caribbean Growth Fund had an excellent year; both in terms of growth in assets and investment performance, the investors return was 16.7% in 2005.

At the end of September 2005, the Fund's net assets were \$178.8 million. The total assets grew by 27% during the year, despite the Fund being closed for ten months of the year. The net asset value at September 30th was \$3.91 per share up from \$3.35 at the end of September 2004.

The Directors agreed to open the Fund in November & December 2004 with limits of \$15,000 per investor. During this period the Fund received \$18.7 million in new subscriptions. Unfortunately we have been unable to reduce the excess cash & deposit levels in 2005 and therefore the Directors have not been able to justify reopening the Fund this year; in the interest of protecting the returns of existing investors in the Fund. So far the Fund is up 10.5% for the nine months ending September 30th 2005 during a time when regional markets have had negligible or minus performances and many similar Funds in the region are actually in negative territory so far for the year.

Our conservative and careful investment approach has served investors well in the current market conditions where several shares listed on the regional markets have experienced significant declines from their 52 week highs. Although it is not a common practice in the investment management industry to close an open ended fund, we have had to make this decision to protect the existing shareholders. This is a clear indication of the serious commitment that the Board of Directors has made in terms of

acting in the best interest of the investors over the long term, even at the expense of growing the assets under management.

The Fund's portfolio is now concentrated with larger holdings in a few selected shares and larger deposit balances which is not ideal but is a reflection of a very limited opportunity set right now within the region. We remain hopeful that with share prices of many companies falling and their earnings still growing, that in the very near future, valuations will again be reasonable and we can resume actively investing the excess funds and getting back to a much more diversified portfolio.

We are entering some very exciting times for the region and it is likely to be a period of significant change. The Caribbean Single Market & Economy (CSME) is due to come in to full effect next year and in 2007 the region will be host of the Cricket World Cup, the third largest sporting event in the world. Companies will soon have access to much bigger markets and their outlook will have to become much more regional, if they are to survive and grow.

We expect to see more corporate activity in the form of mergers, acquisitions and joint ventures as companies must strive to achieve greater economies of scale in order to survive. We expect that we will see much more capital market activity on a regional basis going forward and hopefully many more listings and IPO's as raising of equity and debt finance will be necessary to fund growth. We believe that Fortress in general, and this Fund in particular is very well positioned to take advantage of coming opportunities and we look forward to helping

our investors participate in the best of these opportunities using our disciplined investment approach.

Our international investments continue to do extremely well and have been some of the best performers in the Fund's portfolio. With foreign exchange now quite tight in Barbados and other parts of the region, we will only be able to grow this part of the portfolio if we can attract foreign investment into the Fund.

We expect a tougher year for the Fund in 2006. The Fund has produced returns of over 50% in the last two years which is well above what one would normally expect and we must caution investors' expectations that these types of returns are unlikely to be achievable on a long term basis. That said we believe that the region will continue to grow and prosper and that attractive opportunities for dividends and capital gains will be there.

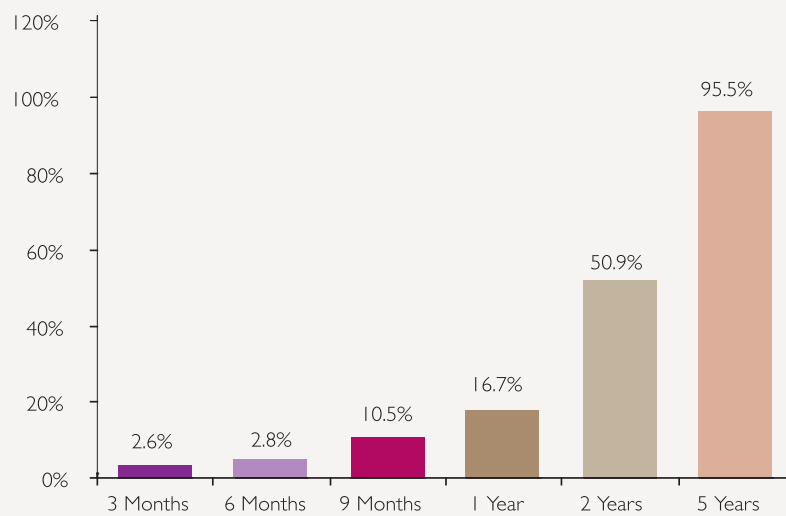
My fellow Board Members and I would like to thank the management and staff of Fortress Fund Managers Limited for their efforts and prudent management over the past financial year. We would also like to thank you, the shareholders for your continued confidence, patience and support.

Geoffrey Cave
Chairman

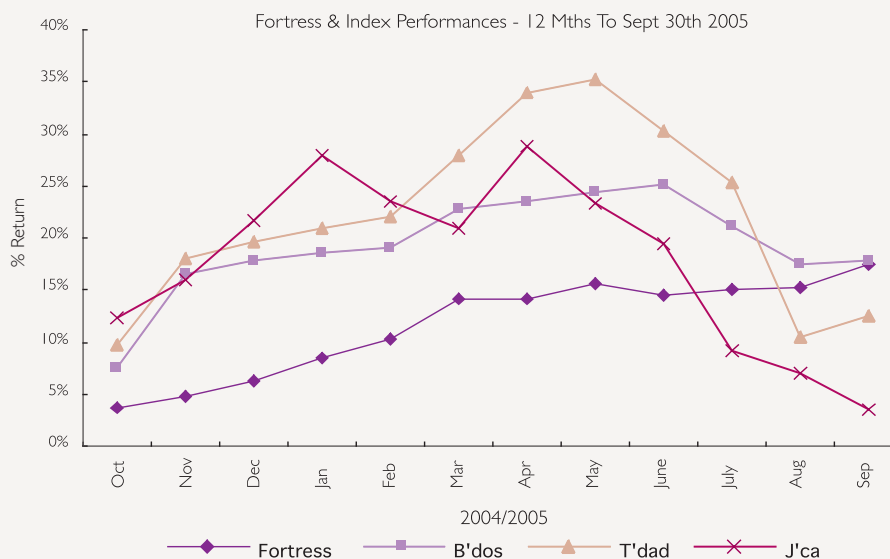
Investment Manager's Report



Fund Performance As At September 30th 2005



During the last twelve months the Fund outperformed the indices in Jamaica (up 4.2%) and Trinidad (up 12.5%) and was slightly lower than Barbados (up 17.8%).





Investment Manager's Report

During the twelve month period ended September 30th 2005, the net asset value per share of the Fortress Caribbean Growth Fund increased from \$3.35 to \$ 3.91, producing a net return for shareholders after all fees and expenses of 16.7%. The total assets increased by 27% to reach \$178.8 million. With the exception of the months of November & December 2004, the Fund was closed to new subscriptions during the year:

In writing this year's annual report, I thought it might be useful to start where we left off at the end of 2004 and in this regard I have extracted two paragraphs from the 2004 annual report to emphasize to shareholders the reasons behind the strategies followed in managing their investments.

"Our Fund has done very well in absolute terms but has under-performed significantly in relative terms when compared against the regional benchmark indexes. This is due partly to the excess cash in the Fund which has dragged returns but principally because we have "sold out of" or "avoided" several of the regional companies whose share prices have now reached or surpassed what we consider to be reasonable valuation levels. In essence our investment philosophy and approach is

a strict value basis for which the investment opportunities within the Caribbean that meet this criterion are now few and far between. We have found ourselves in the challenging situation where we are often finding better sells in our portfolio than buys thereby compounding an already high cash exposure.

While our objective is to outperform the market indexes, it is much more important to achieve positive double digit returns while not taking excessive levels of risk. We will not follow a benchmark index over a cliff by investing in its key components just because those companies make up a large percentage of the index and hence we are prepared to underperform the index and by extension our competitors if the investment fundamentals do not justify the trading prices. This is more likely to happen in rising markets such as the ones we now have when euphoria and unrealistic growth expectations can result in markets getting ahead of themselves. The historic charts of most emerging stock markets are characterized by periods of very high performance gains followed by sharp declines."

Many shareholders have found it difficult to understand why we have closed the Fund and are unwilling to allow additional investment into

the Fund. In 2005, the region's stock markets have clearly shown that stock markets can be very risky and they do not only go up. After a spectacular run in recent years, the inevitable correction is now taking place and share prices of many of the leading companies in the region have declined significantly from their previous highs despite solid economic fundamentals and continued profit growth. Our very defensive position has certainly served the Fund's investors well both in protecting previous gains and more importantly having the Fund in a strong cash position (26% of the Fund is in cash & deposits), ready to take advantage of potential buying opportunities again.

Investment Manager's Report cont'd



Listed below is a sample of some of the top listed companies in the Caribbean showing the highs reached during the last twelve months and the last traded price as at September 30th 2005. Many of these companies were previously owned by the Fund and some we still currently own. The impact of such declines on the performance of a Fund can be significant.

Caribbean Companies	52 Wk High	Price As at Sept 30th 05	% Change
Bank of Nova Scotia (Jamaica)	\$65.00	\$21.00	-68%
Mayberry Investments Limited	\$8.40	\$4.00	-52%
Hardware & Lumber	\$38.00	\$21.00	-45%
Cable & Wireless (Jamaica)	\$2.15	\$1.30	-40%
Lascelles de Mercado	\$373.75	\$230.00	-38%
National Commercial Bank (Jamaica)	\$27.00	\$18.00	-33%
Pan Jamaica Investment Trust	\$79.00	\$55.00	-30%
Dehring, Bunting & Golding	\$28.99	\$21.00	-28%
Carreras	\$43.00	\$32.00	-26%
Grace Kennedy & Co Ltd	\$125.00	\$94.50	-24%
Neal & Massy	\$59.00	\$47.48	-20%
CCN	\$21.00	\$17.10	-20%
Cave Shepherd & Co Ltd	\$7.40	\$6.20	-16%
Republic Bank Limited	\$113.26	\$95.00	-16%
Barbados Shipping & Trading	\$8.60	\$7.65	-12%
Sagicor Financial Corporation	\$5.00	\$4.55	-9%



The Fund maintained its exposure in Barbados where valuations were reasonable, interest rates were very low, and improving profit growth and reducing corporate tax rates offered good scope for the stock market which did deliver a very strong performance. During the year we made one major change in the portfolio where we sold our long time holding in BS&T which produced significant realized gains for the fund and we increased our exposure to Goddard Enterprises.

The economic fundamentals in Barbados have changed unexpectedly in the last six months and with interest rates having gone from 2.25% to 4.75%, this will increase borrowing rates, which is intended to slow a rapid increase in consumer spending, largely on credit. This will no doubt increase costs, reduce sales and thereby dampen future corporate profits. The projected decline in cruise tourism arrivals in 2006, increased energy prices and the need for large capital expenditures for the new prison, road infrastructure and the 2007 World Cup will test the government's limited resources. We expect the listed companies whose earnings are mostly Barbados based to struggle to find profit growth while those which are well diver-

sified throughout the region should outperform in the coming year.

In Trinidad, we have reduced our holdings to three selected companies – namely RBTT Financial Holdings, Guardian Holdings and Praetorian Property Fund. The remainder of the portfolio has been invested in leading Trinidad money market funds awaiting better buying opportunities in the stock market. While the Trinidad economy continues to perform exceptionally well with GDP growth last reported at 6.2% there are very limited value opportunities to be found in the stock market. Several stocks have already declined from their previous highs and the market as a whole is down 5.71% during the last six months. Despite these declines, the market still looks overpriced and we await better buying opportunities.

In Jamaica, the correction in stock prices has been quite significant. Our holdings again have been reduced to a few selected shares which include Carreras, DB&G and Hardware & Lumber. The decision to sell most of the other shares late last year and earlier this year was timely as both volumes and prices have been under pressure all year. In recent weeks the Jamaica

currency has also come under pressure as the Government has missed key revenue targets on its budget. Going forward, increases in the interest rates in the US and weakness in Emerging Market debt will place further pressure on Jamaica to fund its budget needs even though the foreign reserves remain healthy at this time. Inflation has increased significantly again on the back of higher energy prices and companies seem to be struggling again to achieve recent profit increases. Overall we do not expect a broad based market rally although a few selected companies which currently appear attractive could do well in the coming year.

We continue to find value in a few selected companies listed on the East Caribbean Stock Exchange (ECSE) but given the low levels of liquidity on that market, obtaining reasonable volumes requires patience and can only be done over a period of time.

Our international portfolio had a solid year again, with the exception of Axxcess International, where we wrote off the balance of this investment after the company delivered on none of the promises made at the time of acquisition in 2004. The Bank of N.T. Butterfield &

Investment Manager's Report cont'd



Son has proven to be an excellent investment for the Fund and is still very attractively priced given the quality of its earnings, dividend yield and high growth in profitability. We sold down on our investment in British Empire Securities Trust after it started to trade at a premium to its net asset value, this investment trust continues to do exceptionally well and is one we are watching for a return in the spread to more normal levels. The funds in our OAM portfolio had another great year, led by the OAM European Value Fund which increased by 41% during the period. This Fund achieved a five Star Rating from Standard & Poors Fund Services and was awarded the top performing off-shore fund investing in Europe over one year. The OAM Asia Recovery Fund also performed well and was up 18.5% over the period while the OAM Greenpark Funds were flat producing returns of 6% and 2% respectively. The manager of our Canadian portfolio was changed during the year to Foyston, Gordon & Payne, a leading Canadian value manager, and our investment was up 38% during the period.

Looking forward, the Federal Reserve in the US continues on its program of raising interest rates (12 times since June 2004) with the

rate now at 4%. The American economy continues to grow albeit at a slightly slower pace of 4.2%. The major risks appear to be the fallout of any correction to the housing bubble in the US, which could be caused by higher interest rates affecting mortgage rates. Over 70% of the American economy is driven by consumers and there is a feeling that if the over-leveraged consumers are forced to reduce their spending because of falling house values and rising loan payments, the recessionary impact on the US and the rest of the world could be severe. The significant increase in world energy prices during the last year is impacting on inflation expectations although there has been little reaction so far on spending from the consumer. Stock market valuations of the larger companies look more reasonable now than for many years and if a soft landing is achieved, the opportunity for better performance does exist.

For the Caribbean, the outlook is for tougher times with rising energy costs, moderate tourism growth, higher interest rates and lower prices on sugar and bananas all putting pressure on regional governments and businesses. Much will be riding on the preparations for the 2007 World Cup; real estate and construction sec-

tors should continue to do well and the Trinidadian economy will be very strong with energy prices at these levels.

The Fund is likely to remain closed while we try to reduce our high deposit balances through patient and prudent buying of selected companies at lower prices. It is difficult to be very optimistic for high returns in the coming year as regional markets continue to consolidate and international markets adjust to higher interest rates and high energy costs.

Handwritten signature of Roger Cave

Roger Cave CA, CFA
Director and Investment Manager

PricewaterhouseCoopers

The Financial Services Centre
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Facsimile (246) 436-1275

December 16, 2005

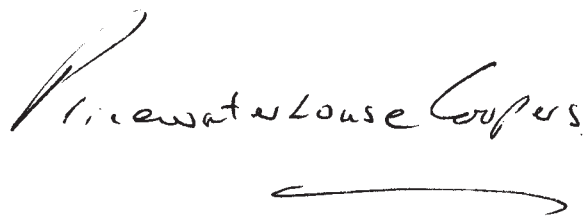
Auditors' Report

**To the Shareholders of
Fortress Mutual Fund Limited**

We have audited the accompanying balance sheet of **Fortress Mutual Fund Limited** as of September 30, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of September 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

Antigua	Charles W. A. Walwyn	Robert J. Wilkinson													
Barbados	J. Andrew Marryshow	Philip St. E. Atkinson	R. Michael Bynoe	Ashley R. Clarke	Gloria R. Eduardo	Wayne I. Fields	Maurice A. Franklin	Marcus A. Hatch	Stephen A. Jardine	Lindell E. Nurse	Brian D. Robinson	Christopher S. Sambrano	R. Charles D. Tibbits	Ann M. Wallace-Elcock	Michelle J. White-Ying
Grenada	Philip St. E. Atkinson (resident in Barbados)														
St. Lucia	Anthony D. Atkinson		Richard N. C. Peterkin												

General Information



Fortress Caribbean Growth Fund (“the Fund”) is an open-ended investment company and was incorporated on December 4, 1996 under the provisions of the Mutual Funds Act of Barbados. The company maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. The principal activity of the Fund is investment holding in domestic, regional and international markets with the objective to achieve long- term capital appreciation.

financials

precision and performance



Fortress Mutual Fund Limited Balance Sheet

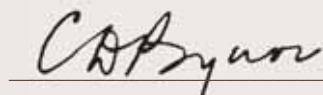
As of September 30, 2005

(Expressed in Barbados dollars)

	Notes	2005 \$	2004 \$
Assets			
Cash and cash equivalents		44,927,195	24,433,451
Term deposits		-	558,642
Accounts receivable		706,147	2,786,874
Financial assets at fair value through profit or loss	6	133,196,819	111,192,158
Due from brokers	5	151,215	3,471,239
Total assets		178,981,376	142,442,364
Liabilities			
Accounts payable and accrued expenses		211,665	178,979
Due to brokers	5	-	1,613,166
Total liabilities		211,665	1,792,145
Total assets less liabilities		178,769,711	140,650,219
Issued capital and reserves			
Share capital	7	94,589,157	81,718,824
Retained earnings		84,180,554	58,931,395
Total shareholders' funds		178,769,711	140,650,219
Net asset value per share		3.91	3.35

Approved by the Board of Directors on December 16, 2005

 Director

 Director



Fortress Mutual Fund Limited

Statement of Income

As of September 30, 2005

(Expressed in Barbados dollars)

	Notes	2005 \$	2004 \$
Revenue			
Interest income		2,654,750	1,223,226
Dividend income		4,267,607	2,454,606
Net gain on available-for-sale securities	6	21,977,568	28,460,250
Total investment income		28,899,925	32,138,082
Expenditure			
Management fees	4	2,859,560	2,090,087
Administrator & custodian fees		280,154	204,304
Office and administrative expenses		146,514	60,471
Withholding taxes		138,688	4,347
Audit fees		90,982	40,110
Interest and bank charges		75,270	8,955
Amortisation of bonds		30,440	2,327
Accounting fees		25,000	-
License and computer fees		4,158	4,171
Operating expenditure		3,650,766	2,414,772
Net profit on ordinary activities		25,249,159	29,723,310

Fortress Mutual Fund Limited

Statement of Changes in Shareholders' Funds

As of September 30, 2005

(Expressed in Barbados dollars)

	Share Capital \$	Retained Earnings \$	Total \$
Balance as at September 30, 2003	52,210,470	29,208,085	81,418,555
Issue of shares	33,407,590	-	33,407,590
Redemption of shares	(3,899,236)	-	(3,899,236)
Net income for the year	-	29,723,310	29,723,310
Balance as at September 30, 2004	81,718,824	58,931,395	140,650,219
Issue of shares	18,719,333	-	18,719,333
Redemption of shares	(5,849,000)	-	(5,849,000)
Net income for the year	-	25,249,159	25,249,159
Balance as at September 30, 2005	94,589,157	84,180,554	178,769,711



Fortress Mutual Fund Limited

Statement of Cash Flows

As of September 30, 2005

(Expressed in Barbados dollars)

	2005 \$	2004 \$
Cash flow from operating activities	25,249,159	29,723,310
Adjustment for:		
Interest income	(2,654,750)	(1,223,226)
Dividend income	(4,267,607)	(2,454,606)
Net gain on available-for-sale securities	(21,977,568)	(28,460,250)
Operating loss before working capital changes	(3,650,766)	(2,414,772)
Net decrease (increase) in accounts receivable	2,080,727	(2,356,559)
Net movement in due to/from brokers	1,706,858	(1,582,097)
Net increase in accounts payable	32,686	119,965
Cash used in operations	169,505	(6,233,463)
Interest received	2,654,750	1,223,226
Dividends received	4,267,607	2,454,606
Cash from (used in) operating activities	7,091,862	(2,555,631)
Cash flows from investing activities		
Purchase of available-for-sale securities	(261,483,095)	(43,291,060)
Purchase of term deposits	-	(558,642)
Proceeds on sale of available-for-sale securities	262,014,644	29,137,270
Net cash from (used in) investing activities	531,549	(14,712,432)
Cash flows from financing activities		
Issue of Mutual Fund shares	18,719,333	33,407,590
Redemption of Mutual Fund shares	(5,849,000)	(3,899,236)
Net cash from financing activities	12,870,333	29,508,354
Net increase in cash and cash equivalents	20,493,744	12,240,291
Cash and cash equivalents - beginning of year	24,433,451	12,193,160
Cash and cash equivalents - end of year	44,927,195	24,433,451

Fortress Mutual Fund Limited

Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

I. INCORPORATION AND PRINCIPAL ACTIVITY

The company was incorporated in Barbados on December 4, 1996 and is registered under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 as an authorised Mutual Fund. The company maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

A. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared in accordance with the historical cost convention as modified by the fair valuation of available-for-sale securities.

B. USE OF ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated into Barbados dollars at the rates of exchange ruling at the balance sheet date. Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the Income Statement.

D. INVESTMENT INCOME

Interest income is recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method. Interest income relates to coupons earned on fixed income investments and short-term deposits.

Dividend income is recognised when the Fund's right to receive payment is established.

E. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund's investments have been classified as available-for-sale in accordance with International Financial Reporting Standards 39 (IFRS 39), Financial Instruments: Recognition and Measurement.

Available-for-sale securities consist of equity securities and interest-bearing securities such as bonds and securities purchased under resale agreements.

Securities purchased under agreements to resell at a specific date and at a specific price, are treated as collateralised financing transactions

and are stated at amortised cost. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

All other available-for-sale securities are initially recognised at cost and are subsequently carried at fair value based on quoted bid prices. In the absence of quoted bid prices, the quoted offer price is used. In the event that a security held by the Fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, as evidenced by no bids being quoted and offers below the previous trade price, the Manager, in consultation with the Custodian, and on advice of an independent broker, will make a reasonable estimate of the fair value price.

Gains or losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the income statement as they arise. Average cost is used to compute realised and unrealised gains on investments.

All purchases and sales of available-for-sale securities are recognised at trade date, which is the date on which the Fund commits to purchase or sell the asset.

F. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant changes in value.



Fortress Mutual Fund Limited

Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

G. EXPENSES

Expenses are accounted for on an accrual basis. Expenses are charged to the income statement except where incurred on the acquisition of an investment which are included the cost of that investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

H. NET ASSET VALUE

The net asset value per redeemable mutual fund share, is calculated by dividing the net assets attributable to those shares by the number of redeemable shares.

I. TAXATION

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002-22 of Barbados. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to a 100% of the income that is designated to be the income of the Fund shareholders. All of the profits of the Fund are designated to the Fund's Class "A" shareholders and consequently the Fund will not be subject to corporation tax.

3. USE OF FINANCIAL INSTRUMENTS

The objective of the Fund is to achieve long-term capital appreciation through investment in domestic, regional and international markets.

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are discussed below:

Fair Value

Available-for-sale securities are carried at their market value as disclosed in note 2E. The carrying value of the other financial assets and liabilities are considered reasonable estimates of their fair value.

Market Price Risk

The Fund's interest rate securities and equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Fund's market price risk is managed through diversification of the investment portfolio ratios by exposures. A summary of the overall balance sheet market exposures at September 30, 2005 is disclosed in note 6.

Fortress Mutual Fund Limited - Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

3. USE OF FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Fund does not have a significant exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rates and periods to maturity are summarised in the following table.

	Interest rate	2005 \$	Interest rate	2004 \$
Term deposits				
- due within 1 year		-	6.25%	558,642
Securities held under resale agreements				
- due within 1 year	-	-	6.25%-7.125%	10,985,915
Bonds				
- due 1 to 5 years	8%	53,770	8.0% - 10.875%	826,684
Total		53,770		12,371,241

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment entered into with the Fund.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has delivered payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligation, the trade will fail.

Liquidity Risk

The Fund's equity securities are considered to be readily realisable as they are generally listed on the regional stock exchanges.

Currency Risk

The Fund holds assets denominated in currencies other than Barbados dollars, the measurement currency of the Fund. Consequently, except where assets are denominated in United States dollars or Barbados dollars, the Fund is exposed to currency risk since the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's policy is not to enter into any hedging transactions.

The table below summarises the Fund's exposure to currency risk

As at September 30, 2005

	Regional	Non Regional	Total
Assets			
Cash and bank balances	44,927,195	-	44,927,195
Financial Assets at fair value through profit or loss	78,194,379	55,002,440	133,196,819
Other assets	857,362	-	857,362
Total assets	123,978,936	55,002,440	178,981,376
Liabilities			
Financial Liabilities at fair value through profit or loss	211,665	-	211,665
Total liabilities	211,665	-	211,665
Total net assets	123,767,271	55,002,440	178,769,711



Fortress Mutual Fund Limited - Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

3. USE OF FINANCIAL INSTRUMENTS (continued)

As at September 30, 2004

	Regional \$	Non Regional \$	Total \$
Assets			
Cash and bank balances	24,433,451	-	24,433,451
Financial Assets at fair value through profit or loss	77,351,298	33,840,860	111,192,158
Other assets	6,816,755	-	6,816,755
Total assets	108,601,504	33,840,860	142,442,364
Liabilities			
Other liabilities	1,792,145	-	1,792,145
Total liabilities	1,792,145	-	1,792,145
Total net assets and equity	106,809,359	33,840,860	140,650,219

Cash and cash equivalents

	2005 \$	2004 \$
Cash at bank	3,685,547	7,966,883
Short term deposits	41,241,648	16,466,568
	44,927,195	24,433,455

4. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a weekly management fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears, at the rate of 1.75% per annum.

	2005 \$	2004 \$
Management fee for the year	2,859,561	2,090,087

Fortress Mutual Fund Limited - Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

4. RELATED PARTIES CONTINUED

Directors' interest (including beneficial interests) in class "A" Redeemable Mutual Fund shares are as follows:

	2005	2004
Geoffrey Cave		
Number of shares held at October 1	52,016	49,384
Shares acquired	4,323	2,632
Number of shares held at September 30	56,339	52,016
Christopher D. Bynoe		
Number of shares held at October 1	24,134	20,471
Shares acquired	2,874	3,663
Number of shares held at September 30	27,008	24,134
Sir Fred Gollop		
Number of shares held at October 1	19,519	15,843
Shares acquired	4,298	3,676
Number of shares held at September 30	23,817	19,519
Anthony King		
Number of shares held at October 1	605	605
Shares acquired	4,237	-
Number of shares held at September 30	4,842	605
Roger Cave		
Number of shares held at October 1	58,866	52,791
Shares acquired	8,083	6,075
Disposals	(26,178)	-
Number of shares held at September 30	40,771	58,866

5. DUE FROM/TO BROKERS

Due from/to brokers represents security purchases and sales transactions contracted for but not yet delivered at the end of the year:

Due from brokers

	2005	2004
	\$	\$
(a) Funds advanced for purchases	35,681	2,733,589
(b) Sales awaiting settlement	115,534	737,650
	151,215	3,471,239

- (a) This amount represents funds advanced for the purchase of shares, which have not been issued at the year end.
 (b) This amount represents funds due by brokers on the sale of investments, which have not been received at the year end.

Due to brokers

The amount due to brokers of \$Nil (2004- \$1,613,166) represents funds due on the purchase of investments, which remain outstanding at the year end.



Fortress Mutual Fund Limited - Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2005 \$	2004 \$
Designated as fair value through profit or loss		
- listed equity securities	50,979,511	43,525,402
- debt securities	-	10,985,915
- government bonds	3,068,498	828,684
- international investments	51,932,956	33,840,860
- mutual funds	24,026,978	18,328,676
- holdings less than 0.05%	3,188,876	3,682,621
Total financial assets designated as fair value through profit or loss	133,196,819	111,192,158
Equity securities;		
- listed equity securities – Regional	50,979,511	47,208,023
Debt securities:		
- listed debt securities – Regional	-	10,985,915
Government bonds:		
- Regional	3,068,498	828,684
International investments:		
- non regional	51,932,956	33,840,860
Mutual funds:		
- Regional	24,026,978	18,328,676
Holdings less than 0.05%	3,188,876	3,682,621
Total financial assets designated as fair value through profit or loss	133,196,819	111,192,158
Gains/(losses) recognised in relation to financial assets at fair value through profit or loss:		
- realized	15,998,157	15,368,100
- unrealized	5,979,411	13,092,150
	21,977,568	28,460,250

Fortress Mutual Fund Limited

Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

6. AVAILABLE-FOR-SALE SECURITIES

The detailed portfolio of available-for-sale securities is as follows:

Security	No. of shares	Cost \$	Market value \$	Holding %
Barbados				
Almond Resorts Inc.	418,855	676,433	1,005,252	0.75%
Barbados Dairy Industries	204,984	946,187	1,537,380	1.15%
Barbados Farms Limited	1,076,003	871,927	1,721,605	1.29%
Banks Holdings Limited	473,468	1,621,413	2,035,912	1.53%
Barbados National Bank Inc.	115,600	484,233	739,840	0.56%
Courts Barbados Ltd	68,200	296,293	300,080	0.23%
Cable and Wireless (Barbados) Limited	448,749	1,083,102	1,076,998	0.81%
Fortress Caribbean Property Fund	690,328	774,929	1,070,008	0.80%
Fortress Caribbean High Interest Fund	9,392,192	11,064,864	11,558,971	8.68%
Goddard Enterprises	1,451,495	4,222,423	13,644,053	10.24%
Light & Power Holdings	78,168	588,365	879,390	0.66%
McEneaney Alstons	188,659	1,368,410	2,782,720	2.09%
Sagicor Financial Corporation	624,199	2,736,230	2,840,105	2.13%
West India Biscuit Co. Ltd	41,316	294,645	344,989	0.26%
West Indies Rum Distillery	66,197	211,715	595,773	0.45%
		27,241,169	42,133,076	31.63%
Jamaica				
Carreras	4,286,245	4,802,050	4,303,322	3.23%
Dehring Bunting & Golding	1,721,950	1,185,524	1,145,234	0.86%
FirstCaribbean International Bank (Jamaica)	719,082	477,764	354,681	0.27%
Grace Kennedy & Co. Ltd	41,195	68,331	123,277	0.09%
Hardware & Lumber	950,000	801,960	665,080	0.50%
Seprod Ltd	419,084	89,636	186,839	0.14%
		7,425,265	6,778,433	5.09%



Fortress Mutual Fund Limited

Notes to the Financial Statements

As of September 30, 2005

(Expressed in Barbados dollars)

6. AVAILABLE-FOR-SALE SECURITIES CONTINUED

Security	No. of shares	Cost \$	Market value \$	Holding %
Trinidad				
Guardian Holdings	115,090	1,455,561	1,283,872	0.96%
Neal & Massy Holdings	22,500	115,379	340,425	0.26%
Praetorian Property Fund	1,129,625	1,846,094	2,070,228	1.55%
RBTT Financial Holdings	768,703	9,853,931	9,802,501	7.36%
Roytrin Mutual Money Market Growth Fund	348,042	2,784,987	2,773,246	2.08%
T&T Unit Trust Corp	1,028,241	6,602,537	6,554,525	4.92%
		22,658,489	22,824,797	17.13%
East Caribbean				
East Caribbean Financial Holdings	288,263	1,533,746	1,447,462	1.09%
St. Kitts Trading & Development Co. Ltd	74,770	518,209	607,337	0.46%
St. Lucia Electricity Services	59,032	536,480	762,842	0.57%
St. Vincent Brewery	29,520	287,899	326,977	0.25%
		2,876,334	3,144,618	2.37%
Guyana				
Demerara Distillers Ltd	1,633,334	133,161	125,747	0.09%
		133,161	125,747	0.07%
Total Regional Investments		60,362,201	75,006,672	56.31%
International Investments				
Bank of N.T. Butterfield	171,449	11,944,689	15,430,410	11.58%
Caribbean Strategic Fund	7,500	750,000	748,800	0.56%
CIBC Wood Gundy	250,000	500,000	795,000	0.60%
C G Portfolio Fund	107	3,858,199	5,853,927	4.39%
C G Portfolio Fund Real Return	13,536	5,222,841	5,664,420	4.25%
OAM – other funds	6,304,011	2,586,476	7,421,385	5.57%
OAM – Asian Recovery Fund	104,122	4,299,924	7,723,770	5.80%
OAM – European Value Fund	124,182	3,702,839	5,493,812	4.12%
OAM – Greenpark II	111,789	2,750,000	2,801,432	2.10%
		35,614,968	51,932,956	38.97%
Government Bonds				
Government of Barbados 5% Treasury Notes		3,000,000	3,000,000	2.25%
Government of Barbados 8% Debenture 2008		52,583	53,770	0.04%
Government of Barbados 8% Debenture 2011		14,683	14,728	0.01%
		3,067,266	3,068,498	2.30%
Holdings less than 0.05%		3,128,020	3,188,876	2.39%
Total Portfolio		102,172,454	133,196,819	100.00%

Fortress Mutual Fund Limited

Notes to the Financial Statements

As of September 30, 2005
(Expressed in Barbados dollars)

7. SHARE CAPITAL

	2005		2004	
	No. of shares	\$	No. of shares	\$
Common Shares				
Authorised				
An unlimited number of common shares of no par value				
Issued				
Class "A" Redeemable Mutual Fund Shares	1,000	40,000	1,000	40,000
Authorised				
An unlimited number of Class "A" redeemable mutual fund shares of no par value				
Issued				
Balance - beginning of year	42,028,883	81,678,824	31,408,134	52,170,470
Issued during the year	5,322,399	18,719,333	11,906,152	33,407,590
Redeemed during the year	(1,582,444)	(5,849,000)	(1,285,403)	(3,899,236)
Balance - end of year	45,768,838	94,549,157	42,028,883	81,678,824
Total Share Capital	45,769,838	94,589,157	42,029,883	81,718,824

Common Shares

The 1,000 common shares, held by the Fund Manager, carry full voting rights, but do not share in the profits of the Fund. On winding up of the Fund, the shares would be repaid at par.

Class "A" Redeemable Mutual Fund Shares (Fund shares)

Each Fund share is entitled to an equal share in the distribution of net income and net capital gains of the Fund and participates equally in all other respects. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act, CAP 308, for the following:

- 1) Disposal of the assets of the Fund.
- 2) Any change or abrogation of the rights of the shares or any variation affecting the rights of the shares.
- 3) Any proposed amalgamation of the Fund or any amalgamation of the Fund with another Mutual Fund.

8. POST-BALANCE SHEET EVENTS

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

