WEISS KOREA OPPORTUNITY FUND LTD.

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

WEISS KOREA OPPORTUNITY FUND LTD.

CONTENTS

WEISS KOREA OPPORTUNITY FUND LTD.

Corporate Information

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WEISS KOREA OPPORTUNITY FUND LTD.

Summary Information

The Company
Weiss Korea Opportunity Fund Ltd. ("WKOF" or the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 April 2013. The Company's Shares were admitted to trading on the AIM Market of the London Stock Exchange (the "LSE") on 14 May 2013.

The Company is managed by Weiss Asset Management LP (the "Investment Manager"), a Boston-based investment management company registered with the Securities and Exchange Commission in the United States of America.

Investment Objective and Dividend Policy
The Company's investment objective is to provide Shareholders with an attractive return on their investment, predominantly through long-term capital appreciation. The Company is geographically focussed on Korean companies, specifically investing primarily in listed preferred shares issued by companies incorporated in Korea, which in many cases have traded and continue to trade at a discount to the corresponding common shares of the same companies. Since the Company's Admission to AIM, the Investment Manager has assembled a portfolio of Korean preferred shares that it believes are undervalued and could appreciate based on the criteria that it selects. The Company may, in accordance with its investment policy, also invest some portion of its assets in other securities, including exchange-traded funds, futures contracts and other types of options, swaps and derivatives related to Korean equities, as well as cash and cash equivalents.

The Company intends to return to Shareholders all dividends received, net of withholding tax on an annual basis.

Investment Policy
The Company is geographically focused on South Korean companies. Specifically, the Company invests primarily in listed preferred shares issued by companies incorporated in South Korea, which in many cases are currently trading at a discount to the corresponding common shares of the same companies. The Investment Manager has assembled a portfolio of Korean preferred shares that it believes are undervalued and could appreciate based on criteria it selects. Some of the considerations that affect the Investment Manager's choice of securities to buy and sell may include the discount at which a preferred share is trading relative to its respective common shares, its dividend yield, its liquidity and its common shares weighting (if any) in the MSCI Korea 25/50 Net Total Return Index (the "Korea Index"), among other factors. Not all of these factors will necessarily be satisfied for particular investments. The Investment Manager will not generally make decisions based on corporate fundamentals or its view of the commercial prospects of the issuer. Preferred shares are selected by the Investment Manager at its sole discretion, subject to the overall control of the Board.

The Company invests primarily in Korean preferred shares, but it may invest some portion of its assets in other securities, including exchange-traded funds, futures contracts and other types of options, swaps and derivatives related to Korean equities, as well as cash and cash equivalents. The Company does not have any concentration limits.

The Company has not hedged its exposure to foreign currency during the year ended 31 December 2016 (2015: Nil).

Share Buy-backs
At the Annual General Meeting ("the AGM") on 27 July 2016, Shareholders granted the Company a general buy-back authority of up to 40% of the Company's issued share capital. In addition, on 12 February 2016, the Company appointed N+1 Singer Advisory LLP to manage an irrevocable programme during the close period leading up to the publication of the Company's full year results (the "Close Period Buy-Back Programme") to buy back ordinary shares within certain pre-set parameters. Any shares purchased in the Close Period Buy-Back Programme will count towards the Company's general buy-back authority of 40% of the Company's issued share capital, as approved at the Company's AGM.

On 5 August 2016, the Company re-appointed N+1 Singer Advisory LLP to manage the Close Period Buy-Back Programme to buy back ordinary shares within certain pre-set parameters during the close period leading up to the publication of the year-end results. Any shares purchased in the Close Period Buy-Back Programme will count towards the Company's share buy-back authority of 40% of the Company's issued share capital, as approved at the Company's AGM.

Summary Information (continued)

Share Buy-backs (continued)
For additional information on share buy-backs refer to Note 15.

Shareholder Information
Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") is responsible for calculating the Net Asset Value ("NAV") per Share of the Company. The unaudited NAV per ordinary share is calculated on a weekly basis and at the month end by the Administrator, which is announced by a Regulatory News Service and is available through the Company's website www.weisskoreaopportunityfund.com.

Company financial highlights and performance summary for the year ended 31 December 2016

	As at 31 December 2016 £	As at 31 December 2015 £
Total Net Assets	146,374,699	131,142,778
NAV per share	1.5027	1.3449
Basic and diluted earnings per share	0.1800	0.1561
Mid-Market Share price	1.42	1.28
Discount to NAV	(5.5%)	(4.8%)

As at close of business on 25 April 2017, the latest published NAV per share had increased to £1.5442 (as at 18 April 2017) and the share price stood at £1.485.

Total expense ratio
The annualised total expense ratio for the year ended 31 December 2016 was 1.80% (31 December 2015: 1.81%).

Chairman's Review

We are pleased to provide the 2016 Annual Financial Report on the Company. During the period from 31 December 2015 to 31 December 2016 (the "Period"), the Company's NAV increased by 11.61%,[1] underperforming the reference MSCI Korea 25/50 Capped Index, which returned 28.48% in pounds sterling.[2] Since the admission of the Company to AIM in May 2013 the NAV has increased by 42.25% compared to Index returns of 23.18%. A report from the Investment Manager follows, beginning on page 7.

In accordance with the commitment in the Company's Admission Document, the Company has announced that it is offering Shareholders the opportunity to elect to realise all or a part of their shareholding in the Company (the "Realisation Opportunity").[3] A circular with full details of the Realisation Opportunity was published on 20 March 2017.

If any Shareholders elect for realisation, then the Company will be reorganized, with the Company's current portfolio divided into two pools: a Continuation Pool and a Realisation Pool. As the Company detailed in its circular for the Realisation Opportunity, the mechanism for returning cash to the shareholders that elect for realisation will be decided by the Board, in consultation with its advisors, once the results of the realisation elections are available. We note that the cash distributed to realising shareholders will likely be different than the net asset value of the Company on the date of such reorganisation. Also, while the Realisation Pool will be managed in accordance with an orderly realisation with the aim of making progressive returns of cash to holders of Realisation Shares, if the Realisation Pool is of significant size, it is likely that a full cash distribution may take some considerable time.

All of the Directors and personnel associated with the Investment Manager (who collectively own approximately 10% of the Company's issued share capital as at 7 April 2017) intend to continue their investment in the Company and do not intend to participate in the Realisation Opportunity in respect of all or any part of their respective shareholdings. Indeed, Andrew Weiss, the CEO and CIO of the Investment Manager, recently increased his shareholding in the Company.

The Directors also declared a final dividend to distribute the income received by the Company in respect of the year ended 31 December 2016. This dividend will be payable to all Shareholders regardless of any election they make under the Realisation Opportunity.

In addition to the Realisation Opportunity, the Company has an active share repurchase program as part of its discount management strategy. The Board is authorised to repurchase up to 40% of the Company's outstanding Ordinary Shares in issue as at 27 July 2016 (on which date the Company had 97,409,750 shares). Since Admission, and as at the date of this document, the Company has repurchased 7,590,250 Ordinary Shares of the original 105,000,000 Ordinary Shares issued at Admission at a weighted average discount to the Company's net asset value per Ordinary Share of 5.69%. In 2016 the Company traded very infrequently at a significant discount and therefore the Directors only repurchased 100,000 shares in the period at a discount of 6.9%. The Board also has in place standing instructions with the Company's broker, N+1 Singer Advisory LLP, for the repurchase of the Company's shares during closed periods when the Board is not permitted to give individual instructions, typically around the preparation of the Annual and Half-Yearly Financial Reports. The Board intends to continue to aggressively repurchase shares of the Company if the Company's discount is greater than 5 per cent. of the Company's net asset value. We believe that the share repurchase program is an excellent discount control mechanism and that it is mutually beneficial for continuing and exiting shareholders. We will continue to keep Shareholders informed of any share repurchases through public announcements.

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[1] This return includes all dividends paid to the Company's Shareholders, but does not assume such dividends are reinvested.

[2] MSCI total return indices are calculated as if any dividends paid by constituents are reinvested at their respective closing prices on the ex-date of the distribution.

[3] Additionally, unless it has already been determined that the Company will be wound-up, the Company will offer shareholders subsequent opportunities to realise all or part of their shareholding every two years after the Realisation Opportunity, on or prior to the anniversary of Admission (14 May).

Chairman's Review (continued)

The Annual General Meeting will be held on 19 July 2017, and a notice circulated in advance. If you are unable to attend in person, the Board is always happy to answer questions or to meet with Shareholders directly if required. Please contact the Company at the address given on page 2 of this document. Additionally, if you would like to speak with the Investment Manager or learn about potential opportunities to meet with them, please contact the Company's broker, N+1 Singer.

I would like to thank Shareholders for their support, and look forward to the continued success of the Company in the future. The discount that Korean preference shares trade to the comparable ordinary shares has indeed narrowed significantly since 2013. However, the weighted average discount of preferred shares held in the portfolio still currently stands at 38.4%[4] and the Directors believe that many of the steps needed to be taken in Korea to narrow discounts further have already been put in place. I would also like to thank Weiss Asset Management LP, as well as the other service providers, all of whom have contributed greatly to the Company.

Sincerely,

Norman Crighton
Chairman
26 April 2017

[4] As at 31 December 2016.

Investment Manager's Report

For the year ended 31 December 2016

WKOF is a long-only fund that invests in Korean preference shares, which generally trade at a discount to their corresponding ordinary shares. The Company's net asset value was up in 2016, but underperformed the MSCI South Korea Index, returning 11.61% compared to 28.48% for the MSCI South Korea Index. Two factors contributed roughly equally to the Company's short-term underperformance in 2016: widening of discounts of preference shares to their corresponding ordinary shares, and the outperformance of companies that have not issued preference shares.

Short time frames often contain more noise than long time frames, and it is generally easier to make predictions about the long-run. As investors, we seek to invest in value and maintain a long-term orientation irrespective of short-term volatility. We believe this is the most prudent way to compound capital. As of 31 December 2016, the net asset value of the Company ("WKOF") is up 42% from inception.[5] Over this period, the Company outperformed the MSCI South Korea Index[6] by 19.07%.

Commentary

There are several reasons for our optimism about the future prospects of WKOF:

1) The "Double Discount" – Korean preference shares trade at a discount to their corresponding ordinary shares which, in turn, trade at a discount to comparable markets. WKOF's weighted average discount of 38.4% is significantly wider than the median discount of 2.6% for other non-voting share classes around the world.[7]
2) Soft Catalysts for the Double Discount to Narrow – Korean companies are beginning to return more capital. Samsung and Hyundai, WKOF's two largest holdings, have made extraordinary commitments to increase dividend payout ratios. The National Pension Service is working hard to improve corporate governance for the benefit of Korean retirees. If this general trend continues, it will be good for both ordinary and preference shares.
3) Hard to Replicate Portfolio – WKOF enables access to a portfolio of discounted Korean preferred shares, within a structure with effective discount-control mechanisms. The Company owns a portfolio with discounts as wide as 65%. These securities represent a smaller percent of net asset value but offer extraordinary upside. The portfolio took nearly one year to construct and the unique characteristics are not duplicable by most market participants.

These reasons have motivated senior management to increase their holdings in the Company. Since the inception of WKOF, Andrew Weiss has owned over 6% of the outstanding shares of the Company. Over the course of December 2016 and January 2017, he bought 550,000 shares in WKOF bringing his holdings to over 7 million shares (7.2% of outstanding shares). An entity controlled by Paul Sherman also bought additional shares of WKOF in December 2015. Total ownership by employees and affiliates of the Investment Manager is around 10% of shares outstanding. None of the members of the Weiss Asset Management team have sold any shares since inception.

[5] MSCI total return indices are calculated as if any dividends paid by constituents are reinvested at their respective closing prices on the *ex-date* of the distribution. WKOF's performance figures include such distributions, but the distributions are not assumed to be reinvested in WKOF when calculating WKOF's performance.

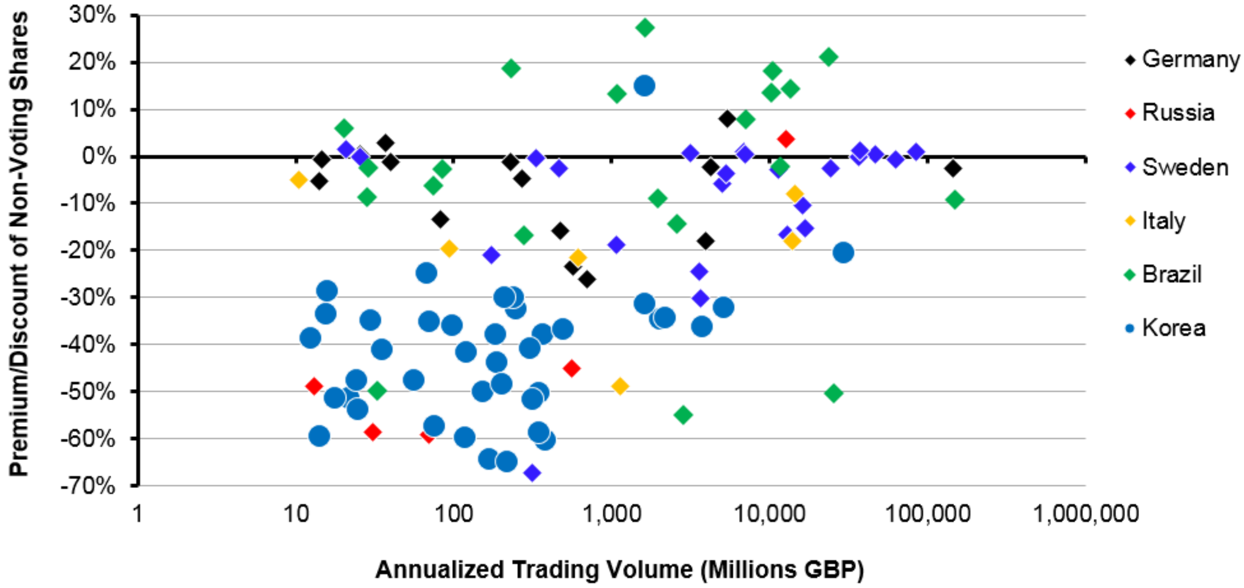
[6] MSCI Korea 25/50 Net Total Return Index, denominated in British pounds sterling.

[7] As of 31 December 2016. Median discount is of the basket of German, Russian, Swedish, Italian, and Brazilian non-voting shares shown in figure 1 and described in the footnote for figure 1. The median is for informational purposes only. One cannot invest in the median discount.

Valuation of Korean Preferred Shares

While the discounts of Korean preferred shares to their respective ordinary shares have narrowed significantly from inception, they are still far greater than the discounts for equivalent shares in other countries. Germany, Sweden, Russia, Italy and Brazil all have non-voting shares. Across all those countries the median discount for non-voting shares with at least £10 million annualized trading volume was 2.6%. In contrast, the median discount for Korean preference shares with at least £10 million annualized volume was 39.6%[8] as of 31 December 2016. The weighted average discount for the preference shares in the WKOF portfolio was 38.4% as of 31 December 2016. Korean preference shares are cheap relative to other non-voting share classes globally, as shown below.

Figure 1. *Non-voting Share Discounts*[9]



In addition to the preferred shares' discounts relative to their corresponding ordinary shares, on almost all metrics Korean ordinary shares continue to be cheaper than their global peers on an absolute basis. As of 31 December 2016, the KOSPI 200 Index traded at an 11.6x price-to-earnings multiple, which is lower than other South East Asian stock indices, as shown below.

[8] Median discounts computed using Bloomberg data for the basket of non-voting shares shown in figure 1 and described in the footnote for figure 1. The median is displayed for informational purposes only. One cannot invest in the median discount. The median discount for WKOF's portfolio is different from the median displayed in this chart.

[9] Data from Bloomberg for a subset of Korean preference shares and non-voting shares from certain other countries selected using a minimum annualized volume constraint of £10 million. Annualized volume of non-voting shares is computed as the product of the last calendar quarter volume traded, the price on 31 December 2016 in GBP, and the number of quarters in a year. The dots for Korean preferred shares do not necessarily represent Fund holdings.

Valuation of Korean Preferred Shares (continued)

Figure 2. *Comparison of Equity Index Fundamentals in Asia*[10]

Index Name	Dividend Payout Ratio	P/E Ratio	P/B Ratio
TAIEX (Taiwan)	62.2%	14.6x	1.61x
Shanghai Composite (China)	32.1%	15.3x	1.72x
Nikkei 225 (Japan)	37.4%	21.7x	1.83x
Nifty (India)	29.0%	19.4x	2.62x
KOSPI 200 (South Korea)	**19.8%**	**11.6x**	**0.94x**

Many Korean companies have accumulated large cash balances. The price-to-earnings ratios above are not adjusted for the low returns on those cash holdings: if cash was subtracted from the price and interest received on the cash subtracted from earnings price-to-earnings would be significantly lower. Similarly, the reported return on equity in Korea at 8.46% for the KOSPI 200 (as of year-end) is artificially depressed by the large cash holdings of Korean companies. These numbers look even better for the preference shares that are trading at discounts to their ordinary shares.

Soft Catalysts

We believe that an important catalyst for Korean share prices is the improving efficiency of capital allocation. Companies that distribute cash in the form of dividends and share buybacks do not tend to trade at single digit price-to-earnings multiples in perpetuity. If firms retain earnings and invest them in high return projects, that will also be positive for long-term investors since the value of shareholder equity will grow.

In particular, we believe the prospects for Korean preference shares have been improved by recent actions by Samsung Electronics Co. Ltd. ("Samsung"), which has set a positive example. Samsung has announced that 50% of 2016 free cash flow will be distributed as either dividends or on buybacks of preference and ordinary shares. From 2015 to 2016, Samsung increased its per share dividend by 36%. According to its guidance, Samsung will be investing ₩9.3 trillion (approximately £6.2 billion) on share repurchases in the next year. Based on Samsung's past behavior, we anticipate that at current discounts the ratio of repurchases of preference shares to ordinary as a fraction of outstanding preference and ordinary shares respectively will be approximately 1.7 to 1. At current prices, we are forecasting that Samsung will repurchase just under 5% of its preference shares, which amounts to 33 days of volume.[11] This is in addition to the October 2015 to October 2016 period, in which Samsung repurchased over 10% of its preference shares. Disproportionate repurchases of preference shares are accretive to all shareholders; at about a 20% discount, Samsung Electronics can repurchase 1.25 preference shares for the price of each ordinary share. Based on its initial repurchase ratios in early 2016, if discounts on the preference shares were to expand, we believe Samsung would be more aggressive in buying back preference shares. These actions by Samsung indicate that it is focused on increasing shareholder value, and acting in the interest of all shareholders.

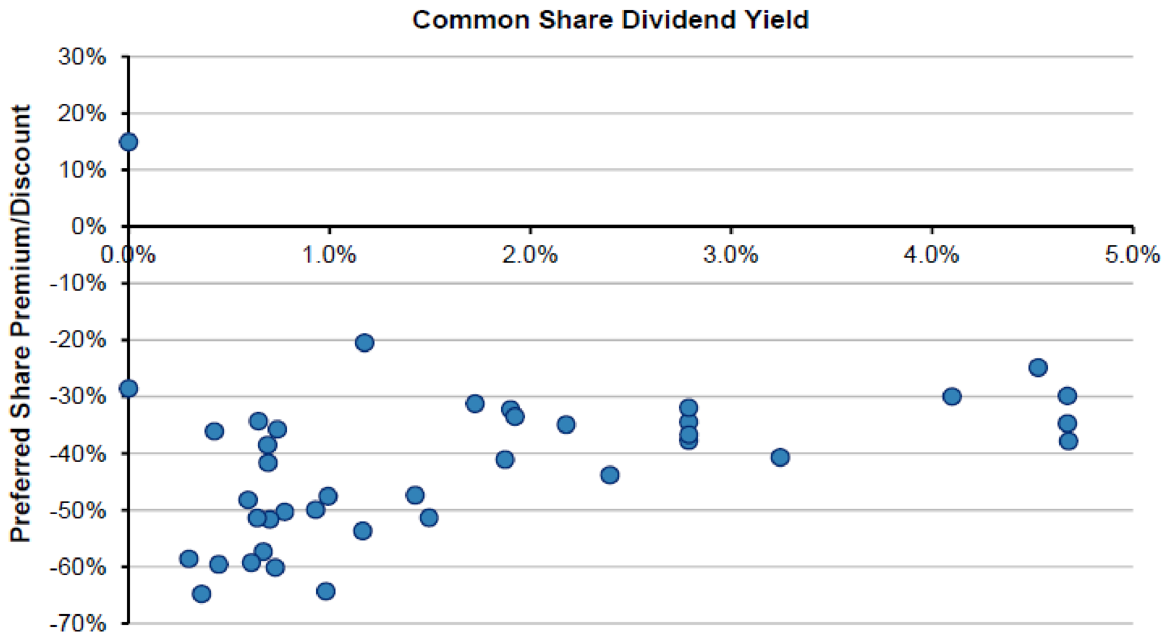
[10] Bloomberg, as of 31 December 2016. Dividend payout ratios are the trailing 12-month weighted averages using the weighting method of each respective index as of 31 December 2016.

[11] Using 90-day average volume from the 4th quarter of 2016 and the end-2016 Samsung preferred share price.

Soft Catalysts (continued)

Samsung also increased its dividend from ₩21,050 in 2015 to ₩28,550 per share. Across the universe of Korean preference shares with at least £10 million of annualised volume, companies that pay higher dividends tend to trade at lower discounts, as shown below. The subset of these preference shares with a common share dividend yield less than 1% had an average discount of 46%, compared to a 35% average discount for those shares with a common share dividend yield greater than 2%.[12]

Figure 3. *Common Share Dividend Yield vs. Preferred Share Premium/Discount*[13]



What is most important about the Samsung payout policy is not what it means for Samsung—that is likely to already be reflected in its share price—but the possible effect on other companies. Korea has perhaps the lowest payout ratio of any advanced country. As by far the largest firm in Korea, Samsung serves as a model for other firms.

If other firms were to follow the Samsung payout policy, we would expect large increases in the prices of Korean preference shares. A corporate culture and mindset that cares about increasing Shareholder value benefits all shareholders, but preference shares are likely to benefit disproportionately from increased dividends and constructing buybacks in ways that are accretive to the value of the firm.

While it's not clear whether they were influenced by Samsung's announcements, the management of Hyundai Motor Company has also given guidance on increased capital return. In January 2017, they announced that they will return 30-50% of free cash flow to shareholders.

[12] Recall that at these levels, differences in discounts are considerably smaller than the corresponding difference in valuation of the preferred share.

[13] For selected Korean preferred shares with at least £10 million of annualised trading volume.

Soft Catalysts (continued)

Another force pushing for higher dividend payouts is the Korean National Pension Fund, which has been urging Korean companies to increase dividend payouts. Recent events may also induce it to resist political pressures if they are not conducive to maximising Shareholder value. In January 2017, Moon Hyung-pyo was charged with illegally pressing the National Pension Fund to back the merger of Cheil Industries and Samsung C&T. At the time of the merger, Mr. Moon was South Korea's health and welfare minister. At the time of his indictment Moon was the chairman of the National Pension Fund. These actions to hold the pension fund accountable to shareholders rather than captive to political pressures are a strong positive sign. The potential influence of the National Pension Fund continues to grow as it increases its purchases of equities. (The National Pension Fund has already exerted its influence on increasing dividend payouts.) We are optimistic that the indictment of Mr. Moon will induce the Company to be a strong advocate for interests of shareholders over the interest of insiders.

Comments on the Distribution of Discounts in the Portfolio

The largest discounts in WKOF's portfolio tend to be in the least liquid preference shares. The widest discount of any preference shares in the portfolio at 31 December 2016 was 65%. To avoid having an inordinately large market impact, the Company slowly accumulated shares in the preference shares with the widest discounts.
Most investors are probably aware that if a preferred share discount narrows from 50% to 40%, the value of the preferred share increases by 20% (assuming all else equal), although it is easy to overlook the magnitude of the difference between discount and gain from narrowing of discount when discounts are large. What may be less apparent is that if the weighted-average discount of a portfolio of preferred shares narrows from 50% to 40%, the increase in value of the preferred shares depends on the distribution of discounts within the portfolio. In particular, the more spread out the discounts are from the average, the greater the increase in value.

While we often describe our portfolio in terms of its weighted-average discount, this one metric does not tell the whole story. Indeed, the most discounted shares in the portfolio have an effect on potential future returns that is outsized compared to their effect on the weighted average discount.

To take a simple example, let's compare the return from a hypothetical portfolio (Portfolio A) with a single stock trading at a 40% discount with the return from an equally weighted portfolio of two stocks one at 20% discount and the other at a 60% discount (Portfolio B). Both portfolios have an initial weighted average discount of 40% (see figure 4). Now suppose all discounts on preferred shares in the two portfolios move halfway to the value of the ordinary shares: the single stock trades at a 20% discount, the more expensive stock in the two stock portfolio trades at a 10% discount and the less expensive stock trades at a 30% discount. The excess return (over the return on the ordinary shares) of the single stock portfolio (Portfolio A) would be 33%. The excess return for the two-stock portfolio (Portfolio B) stocks would be 44%. In this example, as detailed in figure 4 below, although the weighted average discount of Portfolio B narrows by only about 18% (*less* than the 20% narrowing of Portfolio A), the excess return of Portfolio B is about 11% *greater* than that of Portfolio A.

Investment Manager's Report (continued)

For the year ended 31 December 2016

Comments on the Distribution of Discounts in the Portfolio (continued)

Figure 4. *Illustrative Example of the Effect of Discount Dispersion on Potential Returns*[14]

Before:

Portfolio A

Security	Value	Discount
Preferred Share 1	100	40%
	Total Value:	Weighted Avg. Discount:
	100	40%

Portfolio B

Security	Value	Discount
Preferred Share 2	50	60%
Preferred Share 3	50	20%
	Total Value:	Weighted Avg. Discount:
	100	40%

After:

Portfolio A

Security	Value[15]	Discount
Preferred Share 1	133.3	20%
	Total Value:	Weighted Avg. Discount:
	133.3	20%

Portfolio B

Security	Value	Discount
Preferred Share 2	87.5	30%
Preferred Share 3	56.3	10%
	Total Value:	Weighted Avg. Discount:
	143.8	22.2%

WKOF Buyback Program

As the Investment Manager and as shareholders of the Company, we are pleased that the WKOF board has been aggressive in its repurchase of the Company's shares when the WKOF discount has been in the 5-7% range. We believe that the Company's own shares are our best investment when they are trading at significant discounts. Since its inception, the Company has bought back 7,590,250 shares, or about £9.27 million worth of shares, at an average discount of 5.69%.[16] We pride ourselves on the Company's corporate governance, and the unusually large share buyback program (shareholders have authorized the Board to repurchase up to 40% of WKOF's shares per annum). The buyback program has been accretive to the Company's continuing shareholders, and it provides a near continuous exit mechanism to shareholders who need liquidity. If the Board continues to exercise its buyback authority, the Company is unlikely to trade at a large discount to its net asset value, but could trade at a significant premium.

[14] This example is provided as an illustration of the arithmetical properties of discount dispersion and weighted average discounts, and should not be interpreted as a forecast of future changes in Korean preferred share discounts generally or of the discounts of securities in the Company's portfolio. In particular, the assumption in the example that preferred share discounts all decrease by half is entirely arbitrary.

[15] The value shown after the preferred share discounts are halved assumes that there has not been any change in the value of the ordinary shares.

[16] These discounts are approximations since the net asset value is only announced weekly, and the trades may have occurred during hours in which the Korean market was closed. Since shares are repurchased at a discount the share buybacks are accretive to the NAV. However, because the discounts were small and the number of shares repurchased was only around 8% of outstanding shares the effect on the returns for WKOF was minor.

Comments on Political and Economic Conditions
Under current economic conditions, Korean preference shares are undervalued; however, the election of Donald Trump creates considerable uncertainty about global economic conditions. South Korea is heavily dependent on international trade. According the World Bank data for 2015, South Korea's exports of goods and services were around 45% of GDP; by comparison China's exports were 22% of GDP, Japan's were 18% and the United States' exports were less than 13%. Consequently, Korea is thus especially vulnerable to a global increase in protectionism. President Trump has been consistent in his support of protectionism. If the U.S. were to impose tariffs or border adjustments that were declared to be in violation of the WTO rules, Trump might pull the U.S. out of the WTO.[17] This would have serious adverse consequences on global trade. On the other hand, if U.S. protectionism took the form of tariffs against China and China were to retaliate with tariffs against U.S. goods and services, that might create opportunities for Korea to increase its exports to both the U.S. and China.

The Korean economy is also vulnerable to the political uncertainty surrounding the impeachment trial of President Park Geun-hye. Even if she gets the four out of nine votes needed to avoid impeachment by the Constitutional Court, her term expires no later than December 20, 2017 and she cannot run for re-election. While the trial proceeds, the Prime Minister Hwang Kyo-ahn will act as interim president. The Korean political parties and the public seem united in their opposition to President Park; however, there is no clear frontrunner in the race to succeed her.

There is no particular reason to expect a new administration to make radical changes in economic policy. Corporate tax rates in Korea have been fairly stable at 24%. Corporate tax revenues as a percentage of GDP are higher than in most other countries. The budget is in rough balance, the national debt is low, and Korea runs a trade surplus. Korea has bilateral trade agreements with almost all the participants in the Trans-Pacific Partnership so the U.S. withdrawal from the TPP will have little adverse consequences for Korea. To the extent that the TPP would have improved protections for U.S. intellectual property rights, the U.S. withdrawal from TPP may make it easier for Korean companies to circumvent U.S. patent and copyright law. The main macro-economic risks for Korea seem most likely to the effects on the global economy of protectionist trade policies coming out of the U.S., and responses by China to those policies. If trade wars were to trigger a global recession this could be devastating to the profits of Korean firms. However, if selective tariffs against imports of Chinese products by the U.S. and corresponding tariffs against imports of U.S. products by China did not trigger a global recession, Korean firms could benefit from the opportunities to gain market share vis a vis Chinese and American firms.

Korea is also vulnerable to military conflicts between the U.S. and China. As early as May 2017 the U.S. will be deploying a Terminal High Altitude Area Defense system "THAAD" in South Korea. THAAD radar covers much of China and parts of Eastern Siberia. Both Russia and China have voiced strong opposition to its deployment: Chinese foreign minister Wang Yi has said the deployment of THAAD "has undermined the foundations of trust between the two countries." The retaliation has thus far been minor - confined to discouraging Chinese tourists from going to South Korea and some incidental discrimination against Korean pop cultural exports.

More importantly, Rex Tillerson, the new U.S. Secretary of State, has said that China's access to the artificial islands that it is developing in the South China Sea "is not going to be allowed." Since it is hard to see how the U.S. can stop access without triggering a military confrontation with China, the incentive for China to stop deployment of THAAD has greatly increased. This may cause China to increase its economic pressure on South Korea to stop THAAD.

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[17] For instance, legal experts have disagreed about whether the border adjustment tariffs would be a violation of WTO rules. Trump came out against Border Adjustments as being too complicated and then several days later came out in support of them; he may reverse positions again. But charging taxes on imports and exempting exports from computation of corporate profits tax could trigger sanctions under WTO. Trump's most typical reaction to opposition seems to be to attack, so U.S. withdrawal from multilateral trade agreements, including the WTO, is more likely than at any time in U.S. history.

Investment Manager's Report (continued)

For the year ended 31 December 2016

Comments on Political and Economic Conditions (continued)
Korea's main export market is China. If Korea were denied access to the Chinese market as a means of thwarting THAAD this would have serious adverse consequence for the Korean economy. If instead Korea were to side with China, the U.S. might retaliate with tariffs against imports from Korea. The most recent available data had monthly Korean exports to China of around $10 billion and exports to the U.S. of around $5 $^{1}/_{2}$ billion out of total exports of around $45 billion. Korea may have to choose between exports to China or U.S. Of course, if there is a war between China and the U.S. we will have more serious problems to worry about than the value of Korean preference shares.

The greatest long run threat to Korea comes from North Korea. The development of long range missiles that are capable of carrying nuclear warheads is especially problematic. It is difficult to envision why North Korea would want to be able to attack the U.S. mainland with nuclear weapons except as a means of deterring the U.S. from intervening on behalf of South Korea in a military conflict with North Korea. The change in leadership of North Korea and the U.S., and the leadership vacuum in South Korea, as well as the growth in the nuclear capabilities of North Korea make it exceptionally difficult to forecast geo-political events in North-east Asia. But the risk of war on the Korean peninsula seems greater than at any time in recent years.

Summary
"Unexpected" events occur much more frequently than people estimate. 2016 was no exception, with "Brexit" and the election of Donald Trump. Indeed, we believe that the greatest risk to the preservation of capital from an investment in WKOF is geo-political. Given the erratic nature of the leadership in the U.S., and the potential for a break-up of the E.U. it is beyond the scope of this report to give an adequate treatment of how we would suggest hedging these risks.

In a complex world, it is important to remain disciplined and adhere to principles. As value investors, we believe that WKOF remains attractive over the long-run. We cannot predict when Korean preferred share discounts will narrow, but we expect to be handsomely rewarded and will sleep well in the meantime because of the portfolio's low look through leverage and price-to-earnings ratio. Thank you for your continued support.

Weiss Asset Management LP
26 April 2017

Directors

The Company has three non-executive Directors, all of whom are considered independent of the Investment Manager and details are set out below.

Norman Crighton (aged 50)
Mr Crighton is Chairman of the Company. He is also a non-executive director of Global Fixed Income Realisation Limited and RM Secured Direct Lending plc. Norman was, until May 2011, an investment manager at Metage Capital Limited where he was responsible for the management of a portfolio of closed-ended funds and has more than 25 years' experience in closed-ended funds having worked at Olliff and Partners, LCF Edmond de Rothschild, Merrill Lynch, Jefferies International Limited and latterly Metage Capital Limited. His experience covers analysis and research as well as sales and corporate finance. Norman is British and resident in the United Kingdom. Mr Crighton was appointed to the Board in 2013.

Stephen Charles Coe (aged 51)
Stephen is currently Chairman of European Real Estate Investment Trust Limited and TOC Property Backed Lending Trust plc. He is also director (and Chairman of the Audit Committee) of Raven Russia Limited, Leaf Clean Energy Company, Weiss Korean Opportunities Fund Limited and Trinity Capital PLC. He has been involved with offshore investment funds and managers since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

He qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 he was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and Managing Director of Investec Trust (Guernsey) Limited and Investec Administrastion Services Limited. He became self employed in August 2006 providing services to financial services clients.

Robert Paul King (aged 53)
Mr King is a non-executive director for a number of open and closed-ended investment funds including Chenavari Capital Solutions Limited and Threadneedle UK Select Trust Limited. He was a director of Cannon Asset Management Limited and their associated companies, from 2007 to 2011. Prior to this, he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring offshore open and closed-ended investment funds. Robert is British and resident in Guernsey. Mr King was appointed to the Board in 2013.

Report of the Directors

The Directors of the Company present their Annual Report and Audited Financial Statements for the year ended 31 December 2016.

Principal Activity
The Company was incorporated with limited liability in Guernsey on 12 April 2013 as a company limited by shares and as an authorised closed-ended investment company. The Company's Shares were admitted to trading on the AIM Market of the LSE on 14 May 2013. As an existing closed-ended fund, the Company is deemed to be granted an authorised declaration in accordance with Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and Rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008 on the same date as the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989.

Investment Objective and Investment Policy
The investment objective and investment policy of the Company is to provide Shareholders with an attractive return on their investment, predominantly though long-term capital appreciation, by investing primarily in listed Korean preferred shares. The full investment objective and investment policy is detailed on page 3 of the Annual Report.

Going Concern
In accordance with the Company's Articles of Association and Prospectus, the Company shall offer all Shareholders the right to elect to realise some or all of the value of their ordinary shares (the "Realisation Opportunity"), less applicable costs and expenses, on or prior to the fourth anniversary of Admission, being 15 May 2017 (the "Realisation Date"). See Note 17 for further details.

On 20 March 2017, the Company announced that pursuant to the Realisation Opportunity, Shareholders who are on the register as at the record date may elect, during the election period, to redesignate all or part (provided that such part be rounded up to the nearest whole ordinary share) of their ordinary shares as Realisation Shares.

Subject to the aggregate NAV of the continuing ordinary shares at the close of business on the last Business Day before the Realisation Date being not less than £50 million, the ordinary shares held by the Shareholders who have elected for Realisation will be redesignated as Realisation Shares and the Portfolio will be split into two separate and distinct Pools namely the Continuation Pool (comprising the assets attributable to the continuing ordinary shares) and the Realisation Pool (comprising the assets attributable to the Realisation Shares). If one or more Realisation Elections are duly made and the NAV of the continuing ordinary shares at the close of business on the last Business Day before the Reorganisation Date is less than £50 million, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

Currently, the Board does not know the number of shareholders (or related shares), who will take up the Realisation Opportunity. Based on the uncertainty of the offer and the fact that the assets of the Company consist mainly of securities that are readily realisable, whilst the Directors acknowledge that the liquidity of these assets needs to be managed, the Directors believe that the Company has adequate financial resources to meet its liabilities as they fall due in the foreseeable future and for at least twelve months from the date of this report, and that it is appropriate for the Financial Statements to be prepared on a going concern basis, given that the Board believes the Company will continue in existence post the Realisation Opportunity.

Viability Statement
In accordance with provision C.2.2 of the UK Corporate Governance Code (the "UK Code"), published by the Financial Reporting Council in September 2014, the Board has assessed the prospects of the Company over the three year period to 26 April 2020 (the "viability period"). On 20 March 2017, the Company announced to offer all Shareholders the right to elect, during the election period, to realise some or all of the value of their ordinary shares, less applicable costs and expenses, on or prior to the Realisation Date. Currently, the Board does not know the number of shareholders (or related shares), who will take up the Realisation Opportunity. The Board, however, believes that the Company will continue in existence post Realisation Opportunity and consider that three years is an appropriate period of assessment of the viability of the Company for the purpose of giving assurance to Shareholders.

Report of the Directors (continued)

Viability Statement (continued)
The Board and the Investment Manager believe that the investment opportunity provided by the Company remains compelling, but the viability of the Company is clearly contingent on the investment opportunity remaining in place, a matter which the Board monitors on an on-going basis. As the South Korean preference shares held by the Company trade at a discount compared with ordinary shares for the same companies, the Company remains attractive to long term investors over the viability period.

The Board's assessment of the Company over the viability period has been made with reference to the Company's current financial position and prospects, the Company's strategy and risk appetite having considered the Company's principal risks and uncertainties detailed below. The Board has also considered the Company's likely cash flows and the liquidity of its portfolio.

It is noted that the Company currently has no gearing, though borrowing is permitted under its constitution. In the event that the Company did consider taking on debt, the Board would carefully assess the Company's ability to meet the debt obligations as they become due.

It is possible to imagine a number of scenarios, such as war or political events, which could severely impact the liquidity of the Company's investments. The Board maintains cash balances (outside of South Korea) sufficient to meet the Company's running costs for at least two years.

Also the Board has assumed that the regulatory and fiscal regimes under which the Company operates will continue in broadly the same form during the viability period. The Board speaks with its broker and legal advisers on a regular basis to understand issues impacting on the Company's regulatory and fiscal structure.

The Board considers the principal risks affecting the viability of the Company are as follows:

Notice period of Investment Manager
The Board has assumed that the Investment Manager will remain in place during the viability period; however, the Board acknowledges the risk of the Investment Manager serving a twelve month notice period under the Management Agreement. To mitigate this risk, the Board meets and communicates regularly with the Investment Manager to review its performance and the relationship with the Investment Manager.

Failure of the Custodian to carry out its obligations to the Company
The Company's assets are held in accounts maintained by the Company's Custodian. Failure by the Custodian to carry out its obligations to the Company in accordance with the terms of the Custodian agreement could have an impact on the viability of the Company. To mitigate this risk, the Board regularly receives reports from the Custodian, and through the Management and Engagement Committee they monitor the relationship with the Custodian.

Loss of license or listing
The Board has assumed that the Company will retain its regulatory status and listing throughout the viability period. The Company Secretary, Administrator and Broker report to the Board at least quarterly on regulatory matters and confirm compliance with listing and other regulatory requirements.

Failure to implement and poor execution of the investment strategy
The Company maintains an investment policy, discussed in page 3. The policy states that the company must invest primarily in listed South Korean preference shares and investments in other types or securities are allowed as long as it is in South Korean companies. Failure by the Investment Manager to implement the investment strategy. or were it to be executed poorly would have an effect on the viability of the Company. The Board ensure that the policy is being implemented in the quarterly board meeting, where they are presented with a report from the Investment Manager and Investment Adviser, detailing the current portfolio and investment performance.

The risks specifically associated with the South Korean economic and political climate are discussed on pages 13 and 14.

Report of the Directors (continued)

Viability Statement (continued)

Based on the Company's processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, liquidity risk and the robust assessment of the principal risks and uncertainties facing the Company, the Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation, post Realisation Opportunity and meet its liabilities as they fall due over the viability period to 2020.

International Tax Reporting

For purposes of the US Foreign Accounts Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI") in November 2014, received a Global Intermediary Identification Number (2A7KNV.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted by Guernsey and which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied in respect of 2014 and 2015.

The Board will take necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

Results and Dividends

The results for the year ended 31 December 2016 are set out in the Statement of Comprehensive Income on page 38. An annual dividend of 2.2416 pence per share (£2,183,536) was approved on 2 June 2016 and paid on 28 June 2016, in respect of the year ended 31 December 2015. An annual dividend of 1.8580 pence per share (£1,868,474) was approved on 4 June 2015 and paid on 26 June 2015, in respect of the year ended 31 December 2014.

The Board intendeds to declare an interim dividend on 4 May 2017 with a record date on 12 May 2017 for the year ended 31 December 2016, based on dividends from investments in Korean preferred shares.

Shareholder Information

Further Shareholder information can be found in the Summary Information set out on page 4.

Investment Management

The Investment Manager of the Company is Weiss Asset Management LP, a Delaware limited partnership formed on 10 June 2003, (the "Investment Manager"). The key terms of the Investment Management Agreement and specifically the fee charged by the Investment Manager are set out in Note 16 of the Financial Statements. The Board believes that the investment management fee is competitive with other investment companies with similar investment mandates.

The Board reviews, on an on-going basis, the performance of the Investment Manager and considers whether the investment strategy utilised is likely to achieve the Company's investment objective.

Having considered the portfolio performance and investment strategy, the Board has unanimously agreed that the interests of the Shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

Directors

The details of the Directors of the Company during the year and at the date of this Report are set out on pages 2 and 15.

Report of the Directors (continued)

Directors' Interests

The Directors who held office at 31 December 2016 and up to the date of this Report held the following numbers of ordinary shares beneficially:

	As at 31 December 2016		As at 31 December 2015	
	Ordinary Shares	% of issued share capital	Ordinary Shares	% of issued share capital
Norman Crighton	20,000	0.02%	20,000	0.02%
Stephen Coe	10,000	0.01%	10,000	0.01%
Robert King	15,000	0.02%	15,000	0.02%

There have been no changes in the interests of the above Directors during the year.

Substantial Interests
Disclosure and Transparency Rules ("DTRs") are now comprised in the Financial Conduct Authority handbook. Section 5, the only section of the DTRs which applies to AIM listed companies, requires substantial Shareholders to make relevant holding notifications to the Company. The Company must then disseminate this information to the wider market. Details of major Shareholders in the Company can be found in Note 10.

Corporate Governance
The Company is a Guernsey registered company, and is not premium listed; the Company is not required to comply with the UK Corporate Governance Code (the "UK Code"), however, the Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the main principles of the UK Code. By complying with the UK Code, the Company is deemed to comply with the Code of Corporate Governance (the "GFSC Code") issued by the Guernsey Financial Services Commission.

The UK Code is publicly available on the Financial Reporting Council's (the "FRC") website. The FRC issued a revised UK Code in April 2016, for reporting periods beginning on or after 1 May 2016.

The Board has considered the principles and recommendations of the UK Code, and considers that reporting against the UK Code will provide better information to Shareholders. To ensure on-going compliance with these principles the Board receives a report from the Company Secretary, at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The Board, having reviewed the UK Code, considers that it has maintained procedures during the year ended 31 December 2016 and up to the date of this report to ensure that it complies with the UK Code except as explained elsewhere in the Report.

Role of the Board
The Board is the Company's governing body and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board's responsibilities for the Annual Report are set out in the Statement of Directors' Responsibilities on page 25.

Report of the Directors (continued)

Corporate Governance (continued)
The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Documented contractual arrangements are in place with these companies which define the areas where the Board has delegated responsibility to them.

The Board needs to ensure that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report and Financial Statements, the Board has sought to provide further information to enable Shareholders to better understand the Company's business and financial performance.

Composition and Independence of the Board
The Board currently comprises three non-executive Directors, all of whom are considered independent of the Investment Manager. The Directors of the Company are listed on the Corporate Information on page 2 and on page 15.

The Chairman is Mr Crighton. A biography for Mr Crighton and all other Directors appears on page 15. In considering the independence of the Chairman, the Board has taken note of the provisions of the UK Code relating to independence, and has determined that Mr Crighton is an Independent Director.

The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman is responsible for leadership of the Board and ensuring its effectiveness.

As the Chairman is an Independent Director, no appointment of a Senior Independent Director has been made. The Company has no employees and therefore there is no requirement for a Chief Executive, or whistleblowing policy.

The Company holds a minimum of four Board Meetings per year to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The Quarterly Board Meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls. These meetings are supplemented by communication and discussions throughout the year.

A representative of the Investment Manager, Administrator and Company Secretary may attend each Board Meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operations and performance. Each Director has direct access to the Investment Manager and Company Secretary and may at the expense of the Company seek independent professional advice on any matter.

Attendance at the Board and other Committee Meetings during the year was as follows:

	Number of Meetings held	**Norman Crighton**	**Robert King**	**Stephen Coe**
Board Meetings	6	6	6	6
Audit Committee Meetings	4	4	4	4
Management Engagement Committee Meetings	1	1	1	1

Board Diversity
The Board considers the composition of the Board on an on-going basis.

Report of the Directors (continued)

Corporate Governance (continued)

Re-election
The Articles of Incorporation provide that one-third of the Directors retire by a voluntary rotation basis at each AGM. However, in order to meet the highest standards of corporate governance, the Directors have agreed to stand for election annually.

The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next AGM following their appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by a voluntary rotation basis, at that meeting, if it is an AGM.

Board Performance
The Board undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board carry out a process of formal self-appraisal. The Board consider how they function as a whole and also review the individual performance of its members. This process is conducted by the respective Chairman reviewing each members' performance, contribution and commitment to the Company by reviewing a questionnaire each Board member has completed. This last took place in the board meeting held on 5 December 2016.

The Board considers it has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption.

During the Board Meeting held on 5 December 2016, the Board agreed that Directors' fees, along with all fees associated with the Company would be reviewed post Realisation Opportunity in May 2017.

Committees of the Board
The Board has established Audit and Management and Engagement Committees. All Terms of Reference for Committees are available from the Company Secretary upon request or on the Company's website, **www.weisskoreaopportunityfund.com.**

Audit Committee
The Company has established an Audit Committee, with formally delegated duties and responsibilities within written terms of reference. The Audit Committee is chaired by Mr Coe. The Audit Committee's other members are Mr Crighton and Mr King. The Audit Committee meets formally at least twice a year.

Appointment to the Audit Committee is for a period up to three years which may be extended for two further three year periods.

The table on page 20 sets out the number of Audit Committee Meetings held during the year ended 31 December 2016 and the number of such meetings attended by each Audit Committee member.

A report of the Audit Committee detailing responsibilities and activities is presented on pages 28 to 31.

The Company has established a Management and Engagement Committee, with formally delegated duties and responsibilities within written terms of reference. The Management and Engagement Committee is chaired by Mr King. The Management and Engagement Committee's other members are Mr Crighton and Mr Coe. The Management and Engagement Committee meets formally once a year.

The principal duties of the Management and Engagement Committee are to review the performance of and contractual arrangements with the Investment Manager and all other service providers to the Company (other than the External Auditor).

Report of the Directors (continued)

Corporate Governance (continued)

Management and Engagement Committee

During the year, the Management and Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments are in the best interests of the Shareholders. During the last meeting, held on 5 December 2016, the Management and Engagement Committee confirmed that all service providers' fees would be reviewed post Realisation Opportunity in May 2017.

Nomination Committee

The Board does not have a separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by the Board. The Board will determine whether in future an external search consultancy or open advertising is used in the appointments of non-executive Directors.

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is contained in the Annual Report on page 27. Directors' remuneration is considered on an annual basis.

Environmental Policy

Due to the Company's listing on AIM, the Company is required to disclose its Environmental Policy, but this is not applicable due to the nature of its operations.

Internal Controls

The Board is ultimately responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The Company's risk matrix continues to be the basis of the Company's risk management process in establishing the Company's system of internal financial and reporting controls. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The Company's system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve the Company's objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. These controls aim to ensure that: assets of the Company are safeguarded; proper accounting records are maintained; and the financial information for publication is reliable.

The UK Code requires Directors to conduct at least annually a review of the Company's system of internal controls, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the Company's systems of internal controls. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed and resulted in a low to medium risk assessment.

The Board has delegated the management of the Company's investment portfolio and the administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements, which are independently audited. Whilst the Board delegates these functions, it remains responsible for the functions it delegates and for the systems of internal control. Formal contractual agreements have been put in place between the Company and providers of these services. On an on-going basis, Board reports are provided at each quarterly Board Meeting from the Investment Manager, Administrator, Registrar, Company Secretary and a representative from the Investment Manager is asked to attend these meetings.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager, Administrator, Registrar and Company Secretary which have their own internal audit and risk assessment functions.

Report of the Directors (continued)

Corporate Governance (continued)

Internal Controls (continued)
The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

Principal Risks and Uncertainties
In respect to the Company's system of internal controls and reviewing its effectiveness, the Directors:

- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and

- have reviewed the effectiveness of the risk management and internal control systems including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

The principal risks and uncertainties which have been identified and the steps which are taken by the Board to mitigate them are as follows:

Investment Risks
The Company is exposed to the risk that its portfolio fails to perform in line with its investment objective and policy if markets move adversely or if the Investment Manager fails to comply with the investment policy. The Board reviews reports from the Investment Manager at the quarterly Board Meetings, with a focus on the performance of the portfolio in line with its investment policy. The Administrator is responsible for ensuring that all transactions are in accordance with the investment restrictions.

Operational Risks
The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Investment Manager, Administrator and the Custodian. The Board and its Committees regularly review reports from the Investment Manager and the Administrator on their internal controls. The Administrator will report to the Investment Manager any valuation issues which will be brought to the Board for final approval as required.

Accounting, Legal and Regulatory Risks
The Company is exposed to the risk that it may fail to maintain accurate accounting records, fail to comply with requirements of its Admission Document and fail to meet listing obligations. The accounting records prepared by the Administrator are reviewed by the Investment Manager. The Administrator, Broker and Investment Manager provide regular updates to the Board on compliance with the Admission Document and changes in regulation.

Discount Management
The Company is exposed to Shareholder dissatisfaction through inability to manage the share price discount to NAV. The Board and its Broker monitor share price discount (and premium) continuously and has engaged in share buy-backs from time to time to help minimise any such discount. The Board believes that it has access to sufficiently liquid assets to help manage share price discount. The Company's discount management programme is described within Note 17 on pages 54 and 55.

Liquidity of Investments
The Korean preferred shares typically purchased by the Company generally have smaller market capitalisations and lower levels of liquidity than their common share counterparts. These factors, among others, may result in more volatile price changes in the Company's assets as compared to the Korean stock market or other more liquid asset classes. This volatility could cause the NAV to go up or down dramatically.

Report of the Directors (continued)

Corporate Governance (continued)

Principal Risks and Uncertainties (continued)

Liquidity of Investments (continued)
In order to realise its investments, the Company will likely need to sell its holdings in the secondary market, which could prove difficult if adequate liquidity does not exist at the time, and could result in the values received by the Company being significantly less than their holding values. The liquidity of the market for preferred shares may vary materially over time. There can be no guarantee that a liquid market for the Company's assets will exist or that the Company's assets can be sold at prices similar to the published NAV. Illiquidity could also make it difficult or costly for the Company to purchase securities, and this could result in the Company holding more cash than anticipated. Furthermore, it is possible that South Korea could impose currency-exchange or capital controls on foreign investors, making it difficult or impossible for the Company to repatriate funds. The Investment Manager considers the liquidity of secondary trading in assessing and managing the liquidity of the Company's investments. The Board reviews the Company's resources and obligations on a regular basis with a view to ensuring that sufficient liquid assets are held for the expected day to day operations of the Company. However, if the Company were required to liquidate a substantial portion of its assets at a single time, it is likely that the market impact of the necessary sale transactions would impact the value of the portfolio materially.

Fraud Risk
The Company is exposed to fraud risk. The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives an annual confirmation from all service providers that there have been no instances of fraud or bribery.

Financial Risks
The financial risks, including market, credit and liquidity risk faced by the Company, are set out in Note 17 of the Financial Statements on pages 51 to 56. These risks and the controls in place to reduce the risks, are reviewed at the quarterly Board Meetings.

Shareholder Engagement
The Directors welcome Shareholders' views and places great importance on communication with its Shareholders. Shareholders wishing to meet with the Chairman and other Board members should contact the Company's Administrator.

The Investment Manager and Broker maintain a regular dialogue with institutional Shareholders, the feedback from which is reported to the Board.

The Company's AGM provides a forum for Shareholders to meet and discuss issues of the Company and provides Shareholders with the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of AGM and the results are released to the London Stock Exchange in the form of an announcement.

In addition, the Company maintains a website which contains comprehensive information, including links to regulatory announcements, share price information, financial reports, investment objective and investor contacts.

Auditor
The Auditor, KPMG Channel Islands Limited, has indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming AGM.

Corporate Governance (continued)

Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the Annual Report and Financial Statements and that to the best of their knowledge and belief:

- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholders to assess the Company's performance, business model and strategy; and
- the Financial Statements have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website and for the preparation and dissemination of Financial Statements.

Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Report of the Directors (continued)

Corporate Governance (continued)

Disclosure of information to the Auditor
So far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Directors recognise their responsibilities stated above.

Signed on behalf of the Board by:

Norman Crighton
Chairman
26 April 2017

Stephen Coe
Director

Directors' Remuneration Report

Introduction
An ordinary resolution for the approval of the Directors' Remuneration Report will be put to the Shareholders at the AGM to be held on 19 July 2017.

Remuneration Policy
All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to Directors of comparable companies. The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 per annum.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

None of the Directors have a service contract with the Company, but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors hold office until they retire by rotation or cease to be a Director in accordance with the Articles of Incorporation, by operation of law, or until they resign.

During the Board Meeting held on 5 December 2016, the Board agreed that Directors' fees, along with all fees associated with the Company would be reviewed post Realisation Opportunity in May 2017.

Remuneration
Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses.

The annual Directors' fees comprise £26,000 payable to Mr Crighton, the Chairman, £22,000 to Mr Coe as Chairman of the Audit Committee and £20,000 to Mr King.

For the year ended 31 December 2016, Directors' fees were:

	For the year ended 31 December 2016	**For the year ended 31 December 2015**
	£	**£**
Norman Crighton	26,000	26,000
Stephen Coe	22,000	22,000
Robert King	20,000	20,000

Signed on behalf of the Board by:

Norman Crighton
Chairman
26 April 2017

Stephen Coe
Director
26 April 2017

Audit Committee Report

Dear Shareholders,

On the following pages, we present the Audit Committee's Report for 2016, setting out the responsibilities of the Audit Committee and its key activities in 2016.

The Audit Committee has reviewed the Company's financial reporting, significant areas of judgement and estimation within the Company's Financial Statements, the independence and effectiveness of the External Auditor and the internal control and risk management systems of the Company's service providers. The Audit Committee considered whether the Annual Report and Financial Statements are fair, balanced and understandable and whether they provided the necessary information for Shareholders to assess the Company's performance, business model and strategy before recommending them to the Board for approval. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received from the Investment Manager, Administrator and External Auditor. Following its review of the independence and effectiveness of the Company's External Auditor, the Audit Committee has recommended to the Board that KPMG Channel Islands Limited be reappointed as Auditor, which the Board has submitted for approval to the Company's Shareholders.

A member of the Audit Committee will continue to be available at each AGM to respond to any Shareholder questions on the activities of the Audit Committee.

Responsibilities
The Audit Committee reviews and recommends the approval of the Financial Statements of the Company to the Board and is the forum through which the External Auditor reports to the Board of Directors. The External Auditor and the Audit Committee will meet together without representatives of either the Administrator or Investment Manager being present if either considers this to be necessary.

The role of the Audit Committee includes:

- monitoring the integrity of the published Financial Statements of the Company;
- review and report to the Board on the significant issues and judgements and estimates made in the preparation of the Company's published Financial Statements;
- monitor and review the quality and effectiveness of the External Auditor and their independence;
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's External Auditor;
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption; and
- monitor and review the internal control and risk management systems of the service providers.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Secretary or on the Company's website, **www.weisskoreaopportunityfund.com.**

Key Activities of the Audit Committee
The following sections discuss the assessments made by the Audit Committee during the year:

Financial Reporting
The Audit Committee's review of the Annual Report and Audited Financial Statements focused on the following significant area:

Valuation of investments
The Company's investments had a fair value of £141,956,597 as at 31 December 2016 and represent the majority of the net assets of the Company. The investments are all listed and traded and the valuation is by reference to the fair value measurement required by IFRS. The Audit Committee considered the fair value of the investments held by the Company as at 31 December 2016 to be reasonable from a review of information provided by the Investment Manager and Administrator. All prices have been confirmed by the Administrator, to independent pricing sources as at 31 December 2016.

Audit Committee Report (continued)

Key Activities of the Audit Committee (continued)

Valuation of investments (continued)

The Investment Manager and Administrator confirmed to the Audit Committee that they were not aware of any material misstatements including matters relating to the Financial Statements' presentation, nor were they aware of any fraud or bribery relating to the Company's activities. Furthermore, the External Auditor reported to the Audit Committee that no material misstatements were found in the course of their work.

Following a review of the presentations and reports from the Administrator and consulting where necessary with the External Auditor, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates made in the preparation of the Financial Statements (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Risk Management
The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee and a full review will take place post Realisation Opportunity in May 2017.

Fraud, Bribery and Corruption
The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

The External Auditor

Independence, objectivity and fees
The independence and objectivity of the External Auditor is reviewed by the Audit Committee which also reviews the terms under which the External Auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the Auditor to provide audit and assurance services.

These are that the External Auditor may not provide a service which:

- places them in a position to audit their own work;
- creates a mutuality of interest;
- results in the External Auditor developing close relationships with service providers of the Company;
- results in the External Auditor functioning as a manager or employee of the Company; and
- puts the External Auditor in the role of advocate of the Company.

As a general rule, the Company does not utilise the External Auditor for internal audit purposes, secondments or valuation advice. Services such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following table summarises the remuneration payable to KPMG Channel Islands Limited and to other KPMG member firms for audit and non-audit services.

KPMG Channel Islands Limited	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Annual audit	24,500	24,000
Tax fees (UK Reporting Fund Status)	3,750	3,750
	28,250	27,750

Audit Committee Report (continued)

The External Auditor (continued)

Independence, objectivity and fees (continued)
The Audit Committee does not consider KPMG Channel Islands Limited's independence to be under threat. In making this assessment, the Audit Committee has concluded that the non-audit fees do not relate to prohibited services identified by the Audit Committee on page 28. In approving the non-audit services the Audit Committee considered the safeguards put in place by KPMG Channel Islands Limited to reduce the threats to independence and objectivity to an acceptable level.

KPMG Channel Islands Limited has been the External Auditor from the date of the initial listing on the London Stock Exchange. The recent revisions to the UK Corporate Governance Code introduced a recommendation that the external audit be put out to tender every ten years. The Audit Committee has noted this and will develop a plan for tendering at the appropriate time.

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the External Auditor, with particular regard to non-audit fees, and considers KPMG Channel Islands Limited, as External Auditor, to be independent of the Company.

Performance and effectiveness
During the year, when considering the effectiveness of the External Auditor, the Audit Committee has taken into account the following factors:

- The audit plan presented to them before the audit;
- The post audit report including variations from the original plan;
- Changes in audit personnel;
- The External Auditor's report on independence; and
- Feedback from both the Investment Manager and Administrator.

Further to the above, at the conclusion of the 2016 audit fieldwork, the Audit Committee performed specific evaluation of the performance of the External Auditor through discussion with the Administrator, Investment Manager and the Auditor, themselves.

There were no significant adverse findings from this evaluation.

Reappointment of External Auditor
Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2017 AGM for the reappointment of KPMG Channel Islands Limited as External Auditor. The Board has accepted this recommendation.

Internal control and risk management systems
After consultation with the Investment Manager, Administrator and External Auditor, the Audit Committee has considered the impact of the risk of the override of controls by its service providers, the Investment Manager and Administrator.

The Audit Committee reviews externally prepared assessments of the control environment in place at the Administrator, with the Administrator providing a Service Organisation Controls Report on a bi-annual basis. The Audit Committee noted that the Management and Engagement Committee received a self-assessment from the Investment Manager and no issues were identified in this. Additionally, representatives of the portfolio managers meet with the Board of Directors annually to discuss and review the controls in place at the Investment Manager. No significant failings or weaknesses were identified in these reviews.

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Manager and the Administrator's internal audit function provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Audit Committee Report (continued)

In finalising the Financial Statements for recommendation to the Board for approval, the Audit Committee is satisfied that, taken as a whole, the Annual Report and Financial Statements are fair, balanced and understandable.

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each AGM to respond to such questions.

The Audit Committee Report was approved by the Board on 26 April 2017 and signed on behalf of the Audit Committee by:

Stephen Coe
Chairman, Audit Committee
26 April 2017

Independent Auditor's Report
To the Members of Weiss Korea Opportunity Fund Ltd.

Opinions and conclusions arising from our audit

Opinion on financial statements
We have audited the financial statements of Weiss Korea Opportunity Fund Ltd. (the "Company") for the year ended 31 December 2016 which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('EU'). In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its total comprehensive income for the year ended 31 December 2016;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Emphasis of matter - going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2c to the financial statements concerning the Company's ability to continue as a going concern.

In accordance with the Company's Articles of Association and Prospectus, the Company shall offer all shareholders the right to elect to realise some or all of the value of their Ordinary Shares. Subject to the aggregate net asset value of the continuing Ordinary Shares falling below the viable threshold disclosed in note 2c to the financial statements, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue the liquidation of the Company.

This condition indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Our assessment of risks of material misstatement
The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

Opinions and conclusions arising from our audit (continued)

Our assessment of risks of material misstatement (continued)
In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows:

1. Valuation of investments (£141,956,597 or 97% of NAV)

Refer to pages 28 and 29 of the Report of the Audit Committee, Note 2e (accounting policies) and Note 11 and 18 (financial instrument disclosures).

- The risk – The Company invests primarily in listed preferred shares issued by companies incorporated and listed in South Korea, which in certain cases may trade at a discount to the corresponding common shares of the same companies. As highlighted in the Report of the Audit Committee on pages 28 and 29, the valuation of the Company's investments, given they represent the majority of the Company's net assets as at 31 December 2016, is a significant area of our audit. Fair value of investments traded in active markets are based on the bid price at the close of business of the relevant stock exchange on the reporting date. As disclosed in Note 18 to the financial statements, 100% of the Company's investments are traded in an active market.

- Our response – Our procedures with respect to the Company's valuation of investments included, but were not limited to, evaluating the design, implementation and operating effectiveness of controls at the administrator in relation to valuation of investments, and using our own financial instruments valuation specialist to perform a comparison of the latest available bid prices from an independent third party pricing provider to the bid prices utilised by the Company. In addition our own financial instruments valuation specialist assessed the quality of the available bid prices used as at 31 December 2016 for evidence of stale prices and reviewed volumes traded on preference shares held by the Company to assess their liquidity.

We also considered the Company's valuation policies adopted and fair value disclosures in Note 2e, 11 and 18 for compliance with International Financial Reporting Standards as adopted by the EU.

Opinions and conclusions arising from our audit (continued)

Our assessment of risks of material misstatement (continued)

2. Going concern

Refer to page 16 of the Report of the Directors and Note 2c accounting policies.

- **The risk** – In accordance with the Company's Articles of Association and Prospectus, the Company shall offer all shareholders the right to elect to realise some or all of the value of their Ordinary Shares, less applicable costs and expenses, on or prior to the realisation date, being 15 May 2017. Subject to the aggregate net asset value of the continuing Ordinary Shares at the close of business on the last business date before the realisation date being not less than £50 million, the Ordinary Shares held by the shareholders who have elected for realisation will be re-designated as realisation shares and the Portfolio of Investments will be split into two separate and distinct pools namely the Continuation Pool and the Realisation Pool. If one or more Realisation Elections are duly made and the net asset value of the continuing ordinary shares at the close of business on the last Business Day before the Realisation Date is less than £50 million, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio of Investments into the Continuation Pool and the Realisation Pool. The outcome of the realisation offer is uncertain; this indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern as described in note 2c to the financial statements.

- **Our response** – Our procedures with respect to going concern included, but were not limited to, holding discussions with the administrator, the Investment Manager and the Audit Committee with regards to the status of the realisation offer process and their assessment of the impact of such an event, if any, on the going concern basis of preparation for the financial statements. We also discussed with the Investment Manager the outcome of feedback, if any, from significant shareholders as to the likelihood of their voting intentions and outlook for the Company. In addition, we compared management's assessment of the Company's ability to continue as a going concern against our other audit findings.

We also considered the Company's going concern disclosure in Note 2c to the financial statements for compliance with International Financial Reporting Standards as adopted by the EU and other appropriate technical guidance.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgement in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £4,391,000. This has been calculated using a benchmark of the Company's net asset value (of which it represents approximately 3%) which we believe is the most appropriate benchmark as net asset value is considered as the prime driver of returns to the members and to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £219,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above. The audit was performed at the offices of the administrator.

Our application of materiality and an overview of the scope of our audit (continued)
Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors’ Viability Statement on pages 16 and 17, concerning the principal risks, their management, and, based on that, the directors’ assessment and expectations of the Company’s continuing in operation over the 3 years to 26 April 2020; or

- the disclosures in Note 2c of the financial statements concerning the use of the going concern basis of accounting.

Matters on which we are required to report by exception
Under International Standards on Auditing (“ISAs”) (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors’ statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Company’s performance, business model and strategy; or

- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- the Company has not kept proper accounting records; or

- the financial statements are not in agreement with the accounting records; or

- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in respect of the above responsibilities.

Independent Auditor's Report
To the Members of Weiss Korea Opportunity Fund Ltd.

Disclosures of principal risks (continued)

Scope of report and responsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

KPMG Channel Islands Limited
Chartered Accountants
Glategny Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 1WR
26 April 2017

Statement of Financial Position

	Notes	As at 31 December 2016 £	As at 31 December 2015 £
Assets			
Financial assets at fair value through profit or loss	**11,18**	141,956,597	122,775,669
Other receivables	**13**	3,536,330	2,358,893
Cash and cash equivalents	**12**	2,240,481	6,360,135
Due from broker	**2(o)**	-	481,717
Total assets		**147,733,408**	**131,976,414**
Liabilities			
Current liabilities			
Due to broker	**2(o)**	151,910	-
Other payables	**14**	1,206,799	833,636
Total liabilities		**1,358,709**	**833,636**
Net assets		**146,374,699**	**131,142,778**
Represented by:			
Shareholders' equity and reserves			
Share capital	**15**	93,626,149	93,746,629
Other reserves	**2(r)**	52,748,550	37,396,149
Total shareholders' equity		**146,374,699**	**131,142,778**
Net assets per share	**6**	**1.5027**	**1.3449**

The notes on pages 41 to 59 form an integral part of these Financial Statements.

The Financial Statements were approved and signed by the Board of Directors on 26 April 2017.

Norman Crighton
Chairman

Stephen Coe
Director

Statement of Comprehensive Income

	Notes	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Income			
Net changes in fair value of financial assets at fair value through profit or loss	**7**	17,282,902	16,197,400
Income	**8**	3,943,448	2,586,621
Total income		**21,226,350**	**18,784,021**
Expenses			
Operating expenses	**9**	(2,822,857)	(2,466,120)
Total operating expenses		**(2,822,857)**	**(2,466,120)**
Profit for the year before tax		18,403,493	16,317,901
Withholding tax	**(2q)**	(867,556)	(569,098)
Profit for the year after tax		17,535,937	15,748,803
Profit and comprehensive income for the year		**17,535,937**	**15,748,803**
Basic and diluted earnings per share	**5**	**0.1800**	**0.1561**

All items derive from continuing activities.

The notes on pages 41 to 59 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2016

	Notes	Share capital £	Other reserves £	Total £
Balance at 1 January 2016		**93,746,629**	**37,396,149**	**131,142,778**
Profit for the year		-	17,535,937	17,535,937
Transactions with Shareholders, recorded directly in equity				
Repurchase of ordinary shares and cancelled on purchase	**15**	(120,480)	-	(120,480)
Distributions paid	**3**	-	(2,183,536)	(2,183,536)
Balance at 31 December 2016		**93,626,149**	**52,748,550**	**146,374,699**
Balance at 1 January 2015		**102,900,000**	**23,515,820**	**126,415,820**
Total comprehensive income for the year		-	15,748,803	15,748,803
Transactions with Shareholders, recorded directly in equity				
Repurchase of ordinary shares and cancelled on purchase	**15**	(9,153,371)	-	(9,153,371)
Distributions paid	**3**	-	(1,868,474)	(1,868,474)
Balance at 31 December 2015		**93,746,629**	**37,396,149**	**131,142,778**

The notes on pages 41 to 59 form an integral part of these Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Statement of Cash Flows

For the year ended 31 December 2016	Notes	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Cash flows from operating activities			
Profit for the year		17,535,937	15,748,803
Adjustments for:			
Net change in fair value of financial assets held at fair value profit or loss	**7**	(17,282,902)	(16,197,400)
Effect of foreign exchange rate fluctuations		1,400,058	41,626
Increase in debtors	**13**	(1,177,437)	(123,455)
Increase in creditors	**14**	373,163	68,228
Net cash generated from/(used in) operating activities		848,819	(462,198)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	**11**	(61,621,560)	(24,778,741)
Proceeds from the sale of financial assets at fair value through profit or loss	**11**	58,957,103	36,214,129
Net cash (used in)/generated from investing activities		(2,664,457)	11,435,388
Cash flows from financing activities			
Repurchase of ordinary shares and cancelled on purchase	**15**	(120,480)	(9,153,371)
Distributions paid	**3**	(2,183,536)	(1,868,474)
Net cash used in financing activities		(2,304,016)	(11,021,845)
Net decrease in cash and cash equivalents		(4,119,654)	(48,655)
Cash and cash equivalents at the beginning of the year		6,360,135	6,408,790
Cash and cash equivalents at the end of the year		2,240,481	6,360,135

The notes on pages 41 to 59 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. General information

The Company was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 April 2013. The Company's Shares were admitted to trading on the AIM Market of the LSE on 14 May 2013.

The Company's investment objective and policy is set out in the Summary Information on page 3.

The Investment Manager of the Company is Weiss Asset Management LP.

At the AGM held on 27 July 2016, the Board approved the adoption of the new Articles of Incorporation in accordance with Section 42(1) of the Companies (Guernsey) Law, 2008 (the "Law").

2. Significant accounting policies

a) Statement of compliance

The Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2016 have been prepared in accordance with IFRS issued by the European Union and the AIM Rules of the London Stock Exchange. They give a true and fair view and are in compliance with the Law.

b) Basis of preparation

The Financial Statements are prepared in pounds sterling (£), which is the Company's functional and presentational currency. They are prepared on a historical cost basis modified to include financial assets at fair value through profit or loss.

c) Going concern

In accordance with the Company's Articles of Association and Prospectus, the Company shall offer all Shareholders the right to elect to realise some or all of the value of their ordinary shares (the "Realisation Opportunity"), less applicable costs and expenses, on or prior to the fourth anniversary of Admission, being 15 May 2017 (the "Realisation Date"). See Note 17 for further details.

On 20 March 2017, the Company announced that pursuant to the Realisation Opportunity, Shareholders who are on the register as at the record date may elect, during the election period, to redesignate all or part (provided that such part be rounded up to the nearest whole ordinary share) of their ordinary shares as Realisation Shares.

Subject to the aggregate NAV of the continuing ordinary shares at the close of business on the last Business Day before the Realisation Date being not less than £50 million, the ordinary shares held by the Shareholders who have elected for Realisation will be redesignated as Realisation Shares and the Portfolio will be split into two separate and distinct Pools namely the Continuation Pool (comprising the assets attributable to the continuing ordinary shares) and the Realisation Pool (comprising the assets attributable to the Realisation Shares). If one or more Realisation Elections are duly made and the NAV of the continuing ordinary shares at the close of business on the last Business Day before the Reorganisation Date is less than £50 million, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

Currently, the Board does not know the number of shareholders (or related shares), who will take up the Realisation Opportunity. Based on the uncertainty of the offer and the fact that the assets of the Company consist mainly of securities that are readily realisable, whilst the Directors acknowledge that the liquidity of these assets needs to be managed, the Directors believe that the Company has adequate financial resources to meet its liabilities as they fall due in the foreseeable future and for at least twelve months from the date of this report, and that it is appropriate for the Financial Statements to be prepared on a going concern basis, given that the Board believes the Company will continue in existence post the Realisation Opportunity.

Standards, amendments and interpretations not yet effective

At the date of approval of these Financial Statements, the following standards and interpretations have not been applied in these Financial Statements, but were in issue and not yet effective.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

d) Standards, amendments and interpretations not yet effective (continued)

IFRS 9 'Financial Instruments' is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted and amends IAS 39 'Financial Instruments – Recognition and measurement.' IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; this classification includes financial assets initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; subsequently measured at amortised costs or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

IFRS 15 'Revenue from Contracts with Customers' is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue'.

The Company currently recognises dividend income under IAS 18 'Revenue'. The Company does not anticipate any impact on its recognition of dividend income under IFRS 15 'Revenue from Contracts with Customers' as the standard only outlines the treatment of revenue from customer contracts. Dividend income will continue to be recognised under IAS 18 'Revenue,' when the Company's right to receive payments is established.

The Board anticipates that the adoption of these standards and interpretations in a future period will not have a material impact on the Financial Statements of the Company, other than IFRS 9. The Company is currently evaluating the potential effect of this standard.

e) Financial instruments

i) Classification

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

ii) Recognition

Financial assets at fair value through profit or loss ("investments")

Financial assets and derivatives are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Purchases and sales of investments are recognised on the trade date (the date on which the Company commits to purchase or sell the investment). Investments purchased are initially recorded at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

e) Financial instruments (continued) .

ii) Recognition (continued)

Financial assets at fair value through profit or loss ("investments") (continued)

Subsequent to initial recognition, investments are measured at fair value. Gains and losses arising from changes in the fair value of investments and gains and losses on investments that are sold are recognised through profit or loss in the Statement of Comprehensive Income within net changes in fair value of financial assets at fair value through profit or loss.

Other financial instruments

For other financial instruments, including other receivables and other payables, the carrying amounts as shown in the Statement of Financial Position approximate to fair values due to the short term nature of these financial instruments.

iii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments traded in active markets are valued at the latest available bid prices ruling at midnight, Greenwich Mean Time ("GMT"), on the reporting date. The Directors are of the opinion that the bid-market prices are the best estimate on fair value. Gains and losses arising from changes in the fair value of financial assets/(liabilities) are shown as net gains or losses on financial assets through profit or loss in Note 11 and are recognised in the Statement of Comprehensive Income in the period in which they arise.

iv) Derecognition of financial instruments

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset using the average cost method and the consideration received (including any new asset obtained, less any new liability assumed) is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

f) Net changes in fair value of financial assets at fair value through profit or loss

Net changes in fair value of financial assets at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes dividend income.

g) Income

Dividend income from equity investments is recognised through profit or loss in the Statement of Comprehensive Income when the relevant investment is quoted ex-dividend.

h) Expenses

All expenses are accounted for on an accruals basis. Expenses incurred on the acquisition of financial assets at fair value through profit or loss and management fees are charged to the Statement of Comprehensive Income.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents, which can include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash, deposits with banks and bank overdrafts are stated at their principal amount.

3. Significant accounting policies (continued)

j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

k) Foreign currency translations

Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its 'functional currency'). The Directors have considered the currency in which the original capital was raised, distributions will be made and ultimately the currency in which capital would be returned in a liquidation.

On the Statement of Financial Position date, the Directors believe that pounds sterling best represents the functional currency of the Company. For the purpose of the Financial Statements, the results and financial position of the Company are expressed in pounds sterling, which is the presentational currency of the Company. Monetary assets and liabilities, denominated in foreign currencies, are re-translated into pounds sterling at the exchange rate at the reporting date. Non-monetary assets denominated in foreign currencies that are measured at fair value are retranslated in pounds sterling at the exchange rate at the date on which the fair value was determined. Realised and unrealised gains or losses on currency translation are recognised in the Statement of Comprehensive Income. Foreign currency differences relating to investments at fair value through profit or loss are included within net changes in fair value of financial assets at fair value through profit or loss.

l) Treasury shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, the nominal value of the shares are deducted through share capital and the difference between the total consideration and the total nominal value of all shares purchased is recognised through other reserves, which is a distributable reserve.

When such Shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from the other reserve.

Where the Company cancels treasury shares, no further adjustment is required to the share capital account at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share and earnings per share.

m) Operating segments

The Board has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Company is engaged in a single segment of business, being an investment strategy tied to listed preferred shares issued by companies incorporated in South Korea. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these Audited Financial Statements.

The Board of Directors is charged with setting the Company's investment strategy in accordance with the investment policy. They have delegated the day to day implementation of this strategy to its Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

m) Operating segments (continued)
Whilst the Investment Manager may make the investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager.

The Board therefore retains full responsibility as to the major decisions made on an on-going basis. The Investment Manager will always act under the terms of the Admission Document which cannot be significantly changed without the approval of the Board of Directors and where necessary, Shareholders.

n) Other receivables
Other receivables are amounts due in the ordinary course of business. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

o) Other payables
Other payables are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

p) Due from and due to brokers
Amounts due from and due to brokers represent receivables for securities sold and payables purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively.

q) Dividend distribution
Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's Financial Statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are proposed and approved by the Board.

r) Taxation
The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £1,200 (2015: £1,200).

The amounts disclosed as taxation in the Statement of Comprehensive Income relates solely to withholding tax levied in South Korea on distribution from Korean companies at an offshore rate of 22%.

s) Other reserves
Total comprehensive income for the year is transferred to Other Reserves.

3. Dividends to Shareholders
Dividends, if any, will be paid annually in June each year. An annual dividend of 2.2416 pence per share (£2,183,536) was approved on 2 June 2016 and paid on 28 June 2016, in respect of the year ended 31 December 2015.

An annual dividend of 1.8580 pence per share (£1,868,474) was approved on 4 June 2015 and paid on 26 June 2015, in respect of the year ended 31 December 2014.

4. Significant accounting judgements, estimates and assumptions
The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements (continued)

4. Significant accounting judgements, estimates and assumptions (continued)

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Annual Financial Statements:

Functional currency
As disclosed in Note 2(j), the Company's functional currency is the pound sterling. Pound sterling is the currency in which the original capital was raised, distributions will be made and ultimately the currency in which capital would be returned in a liquidation.

5. Basic and diluted earnings per share

The basic and diluted earnings per share for the Company has been calculated based on the total comprehensive income for the year of £14,779,671 (for the year ended 31 December 2015: £15,748,803) and the weighted average number of ordinary shares in issue during the year of 97,414,942 (for the year ended 31 December 2015: 100,886,598).

6. Net asset value per ordinary share

The net asset value of each Share of £1.5027 (as at 31 December 2015: £1.3449) is determined by dividing the net assets of the Company attributed to the ordinary shares of £146,374,699 (as at 31 December 2015: £131,142,778) by the number of ordinary shares in issue at 31 December 2016 of 97,409,750 (as at 31 December 2015: 97,509,750 ordinary shares in issue).

7. Net changes in fair value on financial assets at fair value through profit or loss

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Realised gain on investments	15,045,539	4,927,720
Realised gain/(loss) on foreign currency	1,488,424	(1,686)
Movement in unrealised gain on investments	837,305	11,228,054
Movement in unrealised exchange gain on foreign currency	(88,366)	43,312
Net changes in fair value on financial assets at fair value through profit or loss	17,282,902	16,197,400

8. Other income

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Dividend income	3,943,448	2,586,621

Notes to the Financial Statements (continued)

9. Operating expenses

	For the year ended 31 December 2016 £	For the year ended 31 December 2015 £
Investment Management fee (Note 16c)	2,060,184	1,894,277
Custodian fees	79,913	54,885
Audit fees	21,954	24,308
Administration and Secretarial fees	93,634	95,405
Directors' fees (Note 16a)	68,000	68,000
Auditors remuneration for non-audit services*	3,750	3,750
Professional fees	40,614	37,609
Transaction costs	342,547	162,896
Financial Adviser, Nominated Adviser and Broker fee	30,300	30,000
Sundry expenses	81,962	94,990
	2,822,858	2,466,120

* Fees of £3,750 (31 December 2015: £3,750) were paid to the Auditor, KPMG Channel Islands Limited, in respect of tax services provided in the year to 31 December 2016.

10. Operating segments

Information on realised gains and losses derived from sales of investments are disclosed in Note 7 of the Financial Statements. The Company is domiciled in Guernsey. Substantially all of the Company's income is from its investment in listed preferred shares issued by companies incorporated in South Korea.

The Company has no assets classified as non-current assets. The Company is likely to have a high degree of portfolio concentration as Korean preferred shares are concentrated with a small number of issuers.

The Company also has a diversified Shareholder base. As at 31 December, registered Shareholders that have notified the market of their holding in the Company via an announcement to the LSE, were as follows:

	As at 31 December 2016	
Shareholders	**Shares**	**% of issued share capital**
City of London Investment Management Company	13,753,909	14.12%
Aberdeen Emerging Capital Limited	12,498,100	12.83%
Ruffer LLP	11,500,000	11.81%
Banque Degroof Luxembourg	10,125,000	10.39%
Lepercq de Neuflize Asset Management	9,546,077	9.80%
Mount Capital	8,000,000	8.21%
Merrill Lynch Pierce Fenner	7,000,000	7.19%
Andrew M. Weiss	6,510,888	6.68%

	As at 31 December 2015	
Shareholders	**Shares**	**% of issued share capital**
Aberdeen Emerging Capital Limited	12,452,000	12.77%
Ruffer LLP	11,500,000	11.79%
Banque Degroof Luxembourg	10,125,000	10.38%
Lepercq de Neuflize Asset Management	8,764,065	8.99%
Mount Capital	8,000,000	8.20%
City of London Investment Management Company	7,160,740	7.34%
Andrew M. Weiss	6,427,550	6.59%

Notes to the Financial Statements (continued)

11. Financial assets at fair value through profit or loss

	As at 31 December 2016 £	As at 31 December 2015 £
Cost of investments at beginning of the year	96,544,822	103,534,207
Purchases of investments in the year	61,773,470	24,778,741
Disposal of investments in the year	(58,475,386)	(36,695,846)
Realised gain on disposal of investments in the year	15,045,539	4,927,720
Cost of investments held at end of the year	114,888,445	96,544,822
Unrealised gain on investments	27,068,152	26,230,847
Financial assets at fair value through profit or loss	141,956,597	122,775,669

Financial assets are valued at the bid-market prices ruling as at the close of business at the Statement of Financial Position date, net of any accrued interest which is included in the Statement of Financial Position as an income related item. The Directors are of the opinion that the bid-market prices are the best estimate of fair value in accordance with the requirements of IFRS 13 'Fair Value Measurement.' Movements in fair value are included in the Statement of Comprehensive Income.

12. Cash and cash equivalents

	As at 31 December 2016 £	As at 31 December 2015 £
Cash at bank	2,240,481	6,360,135

Cash at bank earns interest at floating rates based on daily bank deposit rates.

13. Other receivables

	As at 31 December 2016 £	As at 31 December 2015 £
Dividends receivable	3,533,674	2,356,303
Prepaid expenses	2,656	2,590
	3,536,330	2,358,893

The Directors consider that the carrying amount of receivables approximate their fair value.

14. Other payables

	As at 31 December 2016 £	As at 31 December 2015 £
Investment management fees payable (Note 16c)	337,375	162,303
Withholding tax payable	777,408	518,387
Administration fee payable	19,400	24,079
Custody fee payable	7,160	5,320
Directors' fees payable (Note 16a)	-	17,000
Audit fees payable	10,150	15,156
Other payables	55,306	91,391
	1,206,799	833,636

Notes to the Financial Statements (continued)

14. Other payables (continued)
The Directors consider that the carrying amount of payables approximate their fair value.

15. Share capital
The share capital of the Company consists of an unlimited number of ordinary shares of no par value.

	As at 31 December 2016	As at 31 December 2015
Authorised		
Unlimited Ordinary Shares at no par value	-	-
Issued at no par value		
97,409,750 (2015: 97,509,750) unlimited ordinary shares at no par value	-	-

Reconciliation of number of Shares

	As at 31 December 2016 No. of Shares	As at 31 December 2015 No. of Shares
Ordinary shares at the beginning of the year	97,509,750	105,000,000
Purchase of own shares for cancellation	(100,000)	(7,490,250)
Total Ordinary Shares in issue at the end of the year	97,409,750	97,509,750

Share capital account

	As at 31 December 2016 Share Capital £	As at 31 December 2015 Share Capital £
Share capital at the beginning of the year	93,746,629	102,900,000
Purchase of own shares for cancellation	(120,480)	(9,153,371)
Total share capital at the end of the year	93,626,149	93,746,629

The share capital of the Company consists of an unlimited number of ordinary shares of no par value.

Ordinary shares
The Company has a single class of ordinary shares, which were issued by means of an initial public offering on 14 May 2013, at 100 pence per Share.

Notes to the Financial Statements (continued)

15. Share capital (continued)

Ordinary shares (continued)
The rights attached to the ordinary shares are as follows:

a) the holders of ordinary shares shall confer the right to all dividends in accordance with the Articles of Incorporation of the Company.
b) the capital and surplus assets of the Company remaining after payment of all creditors shall, on winding-up or on a return (other than by way of purchase or redemption of own ordinary shares) be divided amongst the Shareholders on the basis of the capital attributable to the ordinary shares at the date of winding up or other return of capital.
c) the Shareholders present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for every Share.
d) On 20 March 2017, being 56 days before the fourth anniversary of admission to AIM, the Company published a circular, pursuant to the Realisation Opportunity, entitling the Shareholders to serve a written notice, during the election period (a "Realisation Election"), requesting that all or a part of the ordinary shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing ordinary shares on the last business day before the Reorganisation Date being not less than £50 million. A Realisation Notice, once validly given is irrevocable unless the Board agrees otherwise. If any Shareholders elect to participate in the Realisation Opportunity, the Company's current portfolio will be divided into two pools: the Continuation Pool; and the Realisation Pool. If one or more Realisation Elections are duly made and the aggregate NAV of the continuing ordinary shares on the last business day before the Realisation Date is less than £50 million, the Directors may propose an ordinary resolution for winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

Share buy-back and cancellation
During the year ended 31 December 2016, the Company purchased 100,000 of its own shares (31 December 2015: 7,490,250) at a consideration of £120,480 (31 December 2015: £9,153,371) under the share buy-back authority originally granted to the Company in 2014. These shares have been subsequently cancelled.

Following the share buy-back, the Company has 97,409,750 ordinary shares in issue as of 31 December 2016 (as at 31 December 2015: 97,509,750).

At the AGM held on 27 July 2016, Shareholders granted the Company a general buy-back authority of up to 40% of the Company's issued share capital, as at 27 July 2016. In addition, on 12 February 2016, the Company appointed N+1 Singer Advisory LLP to manage an irrevocable programme during the close period leading up to the publication of the Company's full year results (the "Close Period Buy-Back Programme") to buy back ordinary shares within certain pre-set parameters. Any shares purchased in the Close Period Buy- Back Programme will count towards the Company's general buy-back authority of 40% of the Company's issued share capital, as approved at the Company's AGM.

On 5 August 2016, the Company re-appointed N+1 Singer Advisory LLP to manage the Closed Period Buy-Back Programme to buy back ordinary shares within certain pre-set parameters during the close period leading up to the publication of the year-end results. The Closed Period Buy-Back Programme commenced on 24 March 2017 and will run until the end of the closed period, when the Company's financial statements for the year ended 31 December 2016 were published on 27 April 2017, Any shares purchased in the Closed Period Buy-Back Programme will count towards the Company's share buy-back authority of 40% of the Company's issued share capital, as approved at the Company's AGM.

Notes to the Financial Statements (continued)

15. Share capital (continued)

Realisation Opportunity
On 20 March 2017, the Company announced that pursuant to the Realisation Opportunity, Shareholders who are on the register as at the record date may elect, during the election period, to re-designate all or part (provided that such part be rounded up to the nearest whole ordinary share) of their ordinary shares as Realisation Shares, subject to the aggregate NAV of the continuing ordinary shares as at the close of business on the last business day before the Realisation Date being not less than £50 million. See Note 17 for further details.

16. Related party transactions and material agreements

Related party transactions

a) Directors' remuneration and expenses
During the year ended 31 December 2016, directors' fees of £68,000 (31 December 2015: £68,000) were charged to the Company and £Nil remained payable at the year-end (as at 31 December 2015: £17,000). For additional information refer to the Directors' Remuneration Report on page 27.

b) Shares held by related parties
The Directors' Interests are set out in the Report of the Directors on page 19.

The Investment Manager is principally owned by Dr. Andrew Weiss and certain members of the Investment Manager's senior management team.

As at 31 December 2016, Dr. Andrew Weiss and his immediate family members held an interest in 6,510,888 ordinary shares (as at 31 December 2015: 6,427,550 ordinary shares) representing 6.68 per cent. (as at 31 December 2015: 6.59 per cent.) of the issued share capital of the Company.

As at 31 December 2016, employees of the Investment Manager, their respective immediate family members or entities controlled by them or their immediate family members held an interest in 2,718,333 ordinary shares (as at 31 December 2015: 2,718,733) representing 2.79 per cent. (as at 31 December 2015: 2.79 per cent.) of the issued share capital of the Company.

Material agreements

c) Investment management fee
The Company's Investment Manager is Weiss Asset Management LP. In consideration for its services provided by the Investment Manager under the Investment Management Agreement dated 8 May 2013, the Investment Manager is entitled to an annual management fee of 1.5% of the Company's NAV accrued daily and payable within 14 days after each month end. The management fee is subject to a minimum annual amount of £1 (one) million per annum for the first 48 months following Admission. The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

The Investment Management Agreement will continue in force until terminated by the Investment Manager or the Company giving to the other party thereto not less than 12 months' notice in writing, such notice not to expire prior to the fourth anniversary of admission other than in limited circumstances. During the Management and Engagement Committee meeting, held on 5 December 2016, the Directors agreed that the Investment Management Agreement would be reviewed, following the Realisation Opportunity in May 2017.

For the year ended 31 December 2016, investment management fees and charges of £2,060,184 (for the year ended 31 December 2015: £1,894,277) were charged to the Company and £337,375 (as at 31 December 2015: £162,303) remained payable at the year-end.

17. Financial risk management
The Company's objective in managing risk is the creation and protection of Shareholder value. Risk is inherent in the Company's activities, but it is managed through an on-going process of identification, measurement and monitoring.

Notes to the Financial Statements (continued)

17. Financial risk management (continued)

The Company's financial instruments include investments designated at fair value through profit or loss and cash and cash equivalents.

The main risks arising from the Company's financial instruments are market risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Board to be economically appropriate to the efficient management of the Company.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates. The Company's investments are heavily concentrated in South Korean securities.

Market price risk

The Company's NAV is sensitive to movement in market prices. As at 31 December 2016, if market prices had been 5% higher, or 5% lower, with all other variables held constant then the increase/decrease in NAV would have been £7,097,830 (as at 31 December 2015: £6,138,783). Actual trading results may differ from the above sensitivity analysis and those differences may be material.

Were there to be a major change in the political or economic environment in South Korea, the movement in market prices may be significantly and materially higher than the above. Refer to pages 13 and 14 for a discussion of potential political and economic changes.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company does not hedge its exposure to foreign currency (predominantly Korean won (KWR) and NAV per share will fluctuate with movements in foreign exchange rates.

As at 31 December 2016, the Company held the following assets and liabilities in foreign currencies:

Amounts in Sterling	KRW	As at 31 December 2016 USD	KRW	As at 31 December 2015 USD
Assets				
Monetary assets	4,961,622	345,923	6,235,621	2,736,979
Non-monetary assets	141,956,597	-	122,775,669	-
	146,918,219	345,923	129,011,290	2,736,979
Liabilities				
Monetary liabilities	1,358,709	-	518,387	-
	1,358,709	-	518,387	-

Amounts in the above table are based on the carrying value of monetary assets and liabilities.

Notes to the Financial Statements (continued)

17. Financial risk management (continued)

Foreign currency risk (continued)

The table below summarises the sensitivity of the Company's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December 2016.

	Reasonable possible shift in rate 2016	As at 31 December 2016 £	Reasonable possible shift in rate 2015	As at 31 December 2015 £
Currency				
KRW				
- Monetary assets	+/- 5%	248,081	+/- 5%	311,781
- Non-monetary assets	+/- 5%	7,097,830	+/- 5%	6,138,783
- Monetary liabilities	+/- 5%	67,935	+/- 5%	25,919
US Dollars				
- Monetary assets	+/- 5%	17,296	+/- 5%	136,849
- Non-monetary assets	+/- 5%	-	+/- 5%	-

Interest rate risk

The Company holds limited amounts on interest bearing deposits of £2,240,481 as at 31 December 2016 (as at 31 December 2015: £6,360,135) and does not invest in interest bearing securities and instruments. Accordingly interest rate risk is considered very low.

The tables below summarise the Company's exposure to interest rate risk as of 31 December 2016:

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2016 £
Financial Assets				
Investments designated at fair value through profit or loss	-	-	141,956,597	141,956,597
Cash and cash equivalents	2,240,481	-	-	2,240,481
Due from broker	-	-	-	-
Other receivables	-	-	3,533,674	3,533,674
	2,240,481	-	145,490,271	147,730,752

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2016 £
Financial Liabilities				
Due to broker	-	-	151,910	151,910
Other payables	-	-	429,391	429,391
	-	-	581,301	581,301

Notes to the Financial Statements (continued)

17. Financial risk management (continued)

Interest rate risk (continued)

The tables below summarise the Company's exposure to interest rate risk as of 31 December 2015:

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2015 £
Financial Assets				
Investments designated at fair value through profit or loss	-	-	122,775,669	122,775,669
Cash and cash equivalents	6,360,135	-	-	6,360,135
Due from broker	-	-	481,717	481,717
Other receivables	-	-	2,356,303	2,356,303
	6,360,135	-	125,613,689	131,973,824

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2015 £
Financial Liabilities				
Other payables	-	-	315,249	315,249
	-	-	315,249	315,249

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Credit risk is limited to the carrying value of financial assets at 31 December 2016 as follows:

	As at 31 December 2016 £	As at 31 December 2015 £
Cash and cash equivalents	2,240,481	6,360,135
Other receivables	3,533,674	2,358,893
Due from broker	-	481,717
	5,774,155	9,200,745

The Company is exposed to material credit risk in respect of cash and cash equivalents. The credit risk from cash and cash equivalents is mitigated as the majority of cash is placed with Northern Trust (Guernsey) Limited ("NTGL"). NTGL is a wholly owned subsidiary of The Northern Trust Corporation ("TNTC"). TNTC is publicly traded and a constituent of the S&P 500. As at 31 December 2016, TNTC has a credit rating of A+ (as at 31 December 2015: A+) from Standard & Poor's and A2 (as at 31 December 2015: A2) from Moody's.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Notes to the Financial Statements (continued)

17. Financial risk management (continued)

Liquidity risk (continued)
The Company's investments are relatively liquid and the Company holds sufficient cash balances (or liquid investments) to meet its obligations as they fall due. The Board reviews its resources and obligations on a regular basis to ensure sufficient liquid assets are held.

As at 31 December 2016, the Company had no significant financial liabilities other than payables arising directly from investing activity.

	Less than 1 month £	1-3 months £	3-12 months £	Total As at 31 December 2016 £
Due to broker	151,910	-	-	151,910
Other payables	419,241	-	787,558	1,206,799
	571,151	-	787,558	1,358,709

	Less than 1 month £	1-3 months £	3-12 months £	Total As at 31 December 2015 £
Other payables	256,939	43,154	15,156	315,249
	256,939	43,154	15,156	315,249

Capital risk management
The fair value of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date.

The Company's objective when managing capital is to maintain an optimal capital structure, in order to reduce the cost of capital. The Company may borrow, however, as at 31 December 2016 there were no borrowings (as at 31 December 2015: £Nil).

The gearing ratio below is calculated as total liabilities divided by total equity.

	As at 31 December 2016 £	As at 31 December 2015 £
Total assets	147,733,408	131,976,414
Less: total liabilities	(1,358,709)	(833,636)
Net Asset Value	146,374,699	131,142,778
Gearing Ratio	0.93%	0.64%

The Board considers the above gearing ratio to be adequate, since total borrowings refer only to amounts due to the broker and other payables.

Notes to the Financial Statements (continued)

17. Financial risk management (continued)

Capital risk management (continued)

Share buy-backs
The Directors have general Shareholder authority to purchase in the market up to 40 per cent. of the ordinary shares in issue from time to time following Admission. The Directors intend to seek annual renewal of this authority from Shareholders at each general meeting of the Company.

Pursuant to this authority, and subject to Guernsey law and discretion of the Directors, the Company may repurchase ordinary shares in the market on an on-going basis at a discount to NAV with a view to increasing the NAV per ordinary share and assisting in controlling the discount to NAV per ordinary share in relation to the price at which such ordinary shares may be trading.

Purchases by the Company will be made only at prices below the estimated prevailing NAV per ordinary share based on the last Published NAV but taking account of movements in investments, stock markets and currencies, in consultation with the Investment Manager and at prices where the Directors believe such purchases will result in an increase in the NAV per Ordinary Share of the remaining Ordinary Shares.

The Directors will consider repurchasing ordinary shares when the price per ordinary share plus the pro forma cost to the Company per share repurchased is less than 95 per cent. of the NAV per ordinary share. The pro forma cost per share should include any brokerage commission payable and costs of realising portfolio securities to fund the purchase. The Directors may, at their discretion, also consider repurchasing ordinary shares at a smaller discount to NAV per ordinary share, provided that such purchase would be accretive to NAV per ordinary share for any continuing Shareholders.

Realisation Opportunity
On 20 March 2017, the Company announced that pursuant to the Realisation Opportunity, shareholders who are on the register as at the record date, may elect, during the election period, to re-designate all, or part, (provided that such part be rounded up to the nearest whole ordinary share) of their ordinary shares as Realisation Shares, subject to the aggregate NAV of the continuing ordinary shares at the close of business on the last Business Day before the Realisation Date being not less than £50 million. The ordinary shares held by the Shareholders who have elected for Realisation will be redesignated as Realisation Shares and the Portfolio will be split into two separate and distinct Pools namely the Continuation Pool (comprising the assets attributable to the continuing ordinary shares) and the Realisation Pool (comprising the assets attributable to the Realisation Shares).

With effect from the Realisation Date, the assets in the Realisation Pool will be managed in accordance with an orderly realisation programme with the aim of making progressive returns of cash, as soon as practicable, to those Shareholders who have elected to receive Realisation Shares. Ordinary shares held by Shareholders who do not submit a valid and complete election in accordance with the Articles during the Election Period will remain ordinary shares.

Unless it has already been determined that the Company will be wound-up, every two years after the Realisation Date, the Directors will propose further realisation opportunities for Shareholders who have not previously elected to realise their ordinary shares using a similar mechanism to that described above.

If the weighted average discount on the Portfolio is less than 25 per cent. over any 90 day period, then the Directors shall propose an ordinary resolution for the winding up of the Company. If one or more Realisation Elections are duly made and the NAV of the continuing ordinary shares at the close of business on the last Business Day before the Reorganisation Date is less than £50 million, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

18. Fair value measurement
IFRS 13 ‘Fair Value Measurement’ requires the Company to establish a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Notes to the Financial Statements (continued)

18. Fair value measurement (continued)

The three levels of the fair value hierarchy under IFRS 13 'Fair Value Measurement' are set as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2016:

	Level 1	Level 2	Level 3	Total As at 31 December 2016
	£	£	£	£
Financial assets at fair value through profit or loss:				
Korean preferred shares	136,175,733	-	-	136,175,733
Korean exchange traded funds	5,780,864	-	-	5,780,864
Total assets	141,956,597	-	-	141,956,597

	Level 1	Level 2	Level 3	Total As at 31 December 2015
	£	£	£	£
Financial assets at fair value through profit or loss:				
Korean preferred shares	122,775,669	-	-	122,775,669
Total assets	122,775,669	-	-	122,775,669

Notes to the Financial Statements (continued)

18. Fair value measurement (continued)

Assets	Level 1	Level 2	Level 3	Total As at 31 December 2016 £
Cash and cash equivalents	2,240,481	-	-	2,240,481
Other receivables	3,533,674	2,656	-	3,536,330
Due from broker	-	-	-	-
	5,774,155	**2,656**	**-**	**5,776,811**
Liabilities				
Due to broker	-	151,910	-	151,910
Other payables	777,408	429,391	-	1,206,799
	777,408	**581,301**	**-**	**1,358,709**

Assets	Level 1	Level 2	Level 3	As at 31 December 2015 £ £
Cash and cash equivalents	6,360,135	-	-	6,360,135
Other receivables	2,356,303	2,590	-	2,358,893
Due from broker	-	481,717	-	481,717
Total	**8,716,438**	**484,307**	**-**	**9,200,745**
Liabilities				
Other payables	518,387	315,249	-	833,636
Total	**518,387**	**315,249**	**-**	**833,636**

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between levels during the year-end 31 December 2016 (for the year ended 31 December 2015: £Nil).

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Korean preference shares and Exchange Traded Funds.

The Company held no Level 2 or 3 investments as at or during the year ended 31 December 2016 (as at 31 December 2015: £Nil).

19. NAV reconciliation

The Company announces its NAV, based on bid value, to the LSE after each weekly and month end valuation point. The following is a reconciliation of the NAV per share attributable to redeemable participating preference Shareholders as presented in these Financial Statements, using IFRS to the NAV per share reported to the LSE:

	As at 31 December 2016		As at 31 December 2015	
	NAV £	NAV per Participating Share £	NAV £	NAV per Participating Share £
Net Asset Value reported to the LSE	143,618,433	1.4744	129,304,862	1.3261
Adjustment for dividend income	2,756,265	0.0283	1,837,916	0.0188
Net Assets Attributable to Shareholders per Financial Statements	146,374,699	1.5027	131,142,778	1.3449

Notes to the Financial Statements (continued)

19. NAV reconciliation (continued)

The published NAV per Share of £1.4744 (as at 31 December 2015: £1.3261) is different from the accounting NAV per Share of £1.5027 (as at 31 December 2015: £1.3449) due to the adjustments noted above.

20. Subsequent events

These Financial Statements were approved for issuance by the Board on 26 April 2017. Subsequent events have been evaluated until this date.

On 5 January 2017, Dr. Andrew Weiss purchased 500,000 ordinary shares at a price of 144.75 pence per share. This increased his holding in the company to 7,010,888 ordinary shares, representing 7.20% per cent. of the Company's total issued share capital.

As at the date of this Report, the Company has 97,409,750 ordinary shares in issue.

No further subsequent events have occurred.