

The Montreux Natural Resources Fund PLC
(formerly The Montreux Commodity Trading Fund Plc)

(an open-ended investment company with limited liability)

Financial statements
For the year ended 31 March 2018

The Montreux Natural Resources Fund PLC

(formerly The Montreux Commodity Trading Fund Plc)

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The Montreux Natural Resources Fund PLC

(formerly The Montreux Commodity Trading Fund Plc)

Directors and other information

Board of Directors

Barry Monks
Ita McArdle
Oliver Harris

Company Number

009475V

Registered office

The Montreux Natural Resources Fund Plc
c/o Apex Fund Services (IOM) Ltd
Second Floor, Exchange House
54-58 Athol Street
Douglas, IM1 1JD
Isle of Man

Administrator and Registrar

Apex Fund Services (IOM) Ltd.
Second Floor, Exchange House
54-58 Athol Street
Douglas, IM1 1JD
Isle of Man

Manager

Apex Fund Services (IOM) Ltd.
Second Floor, Exchange House
54-58 Athol Street
Douglas, IM1 1JD
Isle of Man

Investment Advisor

Montreux Capital Management Cayman
c/o Apex Fund Services (Cayman) Ltd
PO Box MP 10085
One Artillery Court
161a Shedden Road
George Town
Grand Cayman KY1-1001

Auditor

Grant Thornton Limited
Exchange House
54-62 Athol Street
Douglas, IM1 1JD
Isle of Man

Custodian

Cayman National Bank and Trust Company
(Isle of Man) Limited
Cayman National House
4-8 Hope Street
Douglas, IM1 1AQ
Isle of Man

Bankers

Cayman National Bank
Cayman National House
4-8 Hope Street
Douglas, IM1 1AQ
Isle of Man

Legal Advisor

Appleby (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 190
Grand Cayman KY1-1104
Cayman Islands

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31st March 2018, which show the state of the company's affairs.

Principal Activities

The principal activity of the company is that of an investment fund.

Results and dividends

The changes in net assets attributable to holders of redeemable shares for the year after taxation amounted to loss of USD19,777,294 (2017: profit of USD15,715,186). The directors do not recommend payment of a dividend and thus the balance is carried forward.

Directors

The directors who served during the year and thereafter were as follows:-

Barry Monks
Ita McArdle
Oliver Harris

None of the directors held any interest in the share capital of the company.

Continuing Suspension of Subscriptions and Redemptions

The company operates by investing substantially all of its assets in Montreux Natural Resources Fund (formerly Montreux Commodity Trading Fund), an exempted company incorporated under the laws of the Cayman Islands (the "Master Fund").

The Master Fund recently entered into a transaction whereby it sold one of its assets to a company related to the Investment Advisor. This transaction was carried out at market value as determined by Duff & Phelps. Under the terms of the transaction the Master Fund will receive a premium payment of \$12.4m over the next two years, subject to the asset achieving sufficient revenue flows to repay existing loans and generating sufficient revenue to satisfy such payment.

The terms of the sale put the Fund in a position to meet all of its costs and liabilities to maintain the Fund over the next two years while the Investment Manager develops the remaining asset to a stage where it can be sold, and the premium associated with the recently disposed asset can be realized.

This should put investors in a position where the best value possible can be achieved and investors can exit at a reasonable gain to their original investment.

As a result of the board of the Master Fund deciding to enter into a period of wind down, the Board have determined that it will make distributions to all shareholders as and when liquidity becomes available.

It is anticipated that this process will take two years to fully redeem all investors.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements. The directors have elected to prepare financial statements of the company and group in accordance with International Financial Reporting Standards ("IFRS"). Isle of Man company law requires the directors to prepare such financial statements in accordance with relevant accounting standards and the Companies Acts 2006.

International Accounting Standard 1 require that financial statements present fairly for each financial year the company's and group's position, financial performance and cash flows. The requires the faithful representation of the effect of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards' "Framework for preparation and Presentation of Financial Statements" . In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standers. Directors are also required to:

- properly select and apply accounting standards;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business; and
- provide additional disclosures when compliance with the specific requirement of IRFS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's and group's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group, for the system of internal control for safeguarding assets, for taking reasonable steps for the prevention of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Acts 2006.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed on behalf of the Board of Directors:



Director:

Date:

28/9/18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MONTREUX NATURAL RESOURCES FUND PLC

Opinion

We have audited the financial statements of Montreux Natural Resources Fund PLC (the 'company') for the year ended 31 March 2018 which comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in net assets attributable to holders of redeemable shares and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MONTREUX NATURAL RESOURCES FUND PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on pages 2 to 3 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited
Douglas
Isle of Man



Date 28.09.2018

The Montreux Natural Resources Fund PLC
(formerly The Montreux Commodity Trading Fund Plc)
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2018

		Year ended 31 March 2018 USD	Year ended 31 March 2017 USD
Income	Note		
Net (loss)/gain from financial instruments – fair value through profit or loss	3d	(21,651,210)	18,927,232
Net gain/(loss) from foreign currency translation		21,851	(3,003,983)
Other income		2,090,965	
Total (loss)/income		(19,538,394)	15,923,249
Expenses			
Management fee	6, 10	37,140	28,922
Administration fees	6, 10	13,200	13,200
Establishment charge		18,725	(26,500)
Other expenses		169,835	192,441
Total expenses		238,900	208,063
Total comprehensive (loss)/income for the year		(19,777,294)	15,715,186
Other comprehensive income		-	-
Change in net assets attributable to holders of redeemable shares		(19,777,294)	15,715,186

The notes on pages 10 to 34 are part of these financial statements.

The Montreux Natural Resources Fund PLC
(formerly The Montreux Commodity Trading Fund Plc)

Statement of financial position

As at 31 March 2018

	<i>Note</i>	2018 USD	2017 USD
Assets			
Cash and cash equivalents	7	23,513	120,253
Financial assets – fair value through profit or loss	8	13,531,190	35,182,400
Due from Master Fund		-	100,000
Other assets		100	17,431
Total assets		13,554,803	35,420,084
Equity			
Share capital (100 shares @ USD1)	9	100	100
Total equity		100	100
Liabilities			
Management fee payable	4d	9,188	16,067
Due to Investment Manager	4d	100	100
Other accruals	4d	77,546	2,158,654
Total liabilities (excluding net assets attributable to holders of redeemable shares)		86,834	2,174,821
Net assets attributable to holders of redeemable shares		13,467,869	33,245,163

These financial statements were approved by the Board of Directors on 28/09 2018 and signed on their behalf by:

Director



Director

The notes on pages 10 to 34 are part of these financial statements.

The Montreux Natural Resources Fund PLC
(formerly The Montreux Commodity Trading Fund Plc)
Statement of cash flows
For the year ended 31 March 2018

	Year ended 31 March 2018 USD	Year ended 31 March 2017 USD
(Loss)/profit for the year	(19,777,294)	15,715,186
Change in net assets attributable to holders of redeemable shares		
<i>Adjustments for:</i>		
Net realised gain	-	(1,392,569)
Net change in unrealised loss/(gain)	21,651,210	(17,432,521)
Purchase of investments	-	(2,567,759)
Sales of investments	-	2,567,759
Cash flows used in operating activities		
(Decrease) /Increase in other accruals	(2,087,987)	1,929,656
Decrease /(Increase) in due from Master Fund	100,000	(100,000)
Decrease /(Increase) in other receivables	17,331	(17,331)
Net cash used in operating activities	(96,740)	(1,297,579)
Net decrease in cash and cash equivalents	(96,740)	(1,297,579)
Cash and cash equivalents at the beginning of the year	120,253	1,417,832
Cash and cash equivalents at the end of the year	23,513	120,253

The notes on pages 10 to 34 are part of these financial statements.

The Montreux Natural Resources Fund PLC

(formerly The Montreux Commodity Trading Fund Plc)

Statement of changes in net assets attributable to holders of redeemable shares

For the year ended 31 March 2018

	Year ended 31 March 2018 USD	Year ended 31 March 2017 USD
Net assets attributable to holders of redeemable shares at beginning of year	33,245,163 -----	17,529,977 -----
Change in net assets attributable to holders of redeemable shares	(19,777,294) -----	15,715,186 -----
Net assets attributable to holders of redeemable shares at end of year	13,467,869 =====	33,245,163 =====

The notes on pages 10 to 34 are part of these financial statements.

The Montreux Natural Resources Fund PLC

(formerly The Montreux Commodity Trading Fund Plc)

Notes to the financial statements

For the year ended 31 March 2018

1. Legal status and principal activity

The Montreux Natural Resources Fund PLC ("the Fund") (formerly The Montreux Commodity Trading Fund Plc) was incorporated as an open-ended investment company with limited liability on 4 April 2013 in the Isle of Man and has been established as a qualifying fund in accordance with the Regulations. The Fund changed its name from The Montreux Commodity Trading Fund PLC to The Montreux Natural Resources Fund PLC on 2 December 2016. The Fund commenced operations on 9 September 2013. The Registered office of the Fund is located at the offices of The Montreux Natural Resources Fund PLC, c/o Apex Fund Services (TOM) Ltd, Second Floor, Exchange House, 54-58 Athol Street, Douglas, IM1 1JD, Isle of Man.

The Fund has been organised to invest substantially all of its assets in Montreux Natural Resources Fund (the "Master Fund") which is a Cayman Islands mutual fund regulated under the Mutual Funds Law (as revised) of the Cayman Islands. The investment objective of the Master Fund is to generate uncapped absolute returns through a unique blend of physical commodity trading and systematic IT driven commodity trades.

Apex Fund Services (IOM) Ltd, a private limited company incorporated in the Isle of Man on 11 January 2008, has been appointed as the Manager and Administrator (the "Manager or "AFS") to the Fund pursuant to the terms of the Management and Administration Agreement dated 1 June 2013.

The Fund has appointed Montreux Capital Management Cayman as investment advisor (the "Investment Advisor") to the Fund.

These separate financial statements of the Feeder Fund are its only financial statements.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ('IASB'), and interpretations issued by the Standing Interpretations Committee of the IASB.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and financial assets - fair value through profit or loss, which are measured at fair value.

(c) Functional and presentational currency

Items included in the financial statements of the Fund are measured and presented in United States Dollar ("USD") which is the Fund's functional currency.

The Montreux Natural Resources Fund PLC

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Notes to the financial statements

For the year ended 31 March 2018

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 the revision and future periods if the revision affects both current and future periods.

In particular, considerable management judgment is required in respect of determining the fair values of derivative financial instruments.

Management concluded that activities arising from contracts between the Master Fund (which itself meets the definition of an investment entity) and third party service providers (e.g. for custodial and administrative services) do not represent separate substantial activities of the Master Fund. Consequently, management concluded that the Feeder Fund should not consolidate the Master Fund.

3. Significant accounting policies

The accounting policies set out below have been applied to items that are considered material in relation to the Fund's financial statements.

(a) Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the statement of comprehensive income on an accrual basis, using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments earned or paid on a financial asset or financial liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

(b) Gain or loss on financial assets and financial liabilities at fair value through profit or loss

Gains or losses on financial assets at fair value through profit or loss includes realised gains or losses arising on the sale of financial assets which are recognised in profit or loss when the Fund has transferred the risk and rewards of ownership of the financial assets to another party. In addition, any unrealised gains or losses arising from a change in fair value of such financial assets are also recognised in profit or loss in the year in which they arise.

The Montreux Natural Resources Fund PLC
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Notes to the financial statements
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(c) Expenses

Expenses of the Fund including management fee, organisational fee, administration fee and other expenses are borne by the Fund.

(d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Fund and a financial liability or equity instrument of another party. All assets and liabilities in the statement of financial position are financial instruments, except for shareholders' funds and other accruals.

Classification

The Fund classifies its investments in Master Fund and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

The Montreux Natural Resources Fund PLC
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Notes to the financial statements
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Classification (continued)

Initial recognition, Derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the year in which they arise.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or liabilities settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the fair value of a financial instrument is based on quoted market prices in an active market for that instrument. A market is regarded as active if quoted market prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, and comparison to similar instruments for which market observable prices exist.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

The Montreux Natural Resources Fund PLC
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Notes to the financial statements
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Impairment

Financial assets measured at amortised cost are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment loss is the difference between the net carrying value of an asset and its recoverable amount.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the statement of income.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Fund has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances with banks having original maturity of three months or less.

(f) Foreign currencies

Foreign currency transactions are recorded at the rates of exchange ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange ruling at the reporting date. Any resultant gains and losses are recognised in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated into USD at the foreign exchange rates ruling at the dates at which fair values were determined.

(g) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

(h) Taxation

The company is subject to Isle of Man taxation, however this is at a nil percentage rate, (2017: NIL) thus resulting in no tax charge arising. There are no known factors that would affect the future tax charge of the company.

The Montreux Natural Resources Fund PLC
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3. Significant accounting policies (continued)

(i) New standards and interpretations not yet adopted

A number of new standards, amendments to existing standards and interpretations are effective for the year beginning on or after 31 March 2018, and have not been early adopted in preparing these financial statements:

IFRS number	Title	Financial year beginning on or after
• IFRS 9	Financial instruments	1 January 2018

4. Financial risk management

Introduction and overview

All the Fund's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Fund's significant exposure can be broadly categorised into the following risks:

- Credit risk;
- Market risk;
- Liquidity risk; and
- Operational risk.

Risk management framework

The risk management framework is established by the Manager, which sets out the risk governance and ownership structure to ensure oversight of, and accountability for, effective management of risk. However, the primary responsibility for managing risk rest with the Board of Directors of the Fund. The Board of Directors has the responsibility to cascade risk management policies which are designed to support the formulation of risk appetite, guide employees and establish procedures for monitoring and controlling risk with timely and reliable reporting to the Board. The Manager regularly reviews and updates its risk management policies and systems to reflect changes in markets, products and emerging best practice which are then cascaded to the Fund.

The management of all risks which are significant to the Fund are discussed below:

The Montreux Natural Resources Fund PLC
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4. Financial risk management (continued)

(a) Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Fund fails to meet an obligation under a contract. Financial assets which expose the Fund to credit risk consist of cash and cash equivalents, investments in the Master Fund and foreign exchange forward contracts. Credit risk is managed by placing funds with banks and institutions with acceptable credit ratings.

Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's Manager's Internal Assessment Process.

Credit risk is monitored on a monthly basis by the Manager in accordance with policies and procedures in place as documented in the Manager's Internal Risk Assessment Process. The Fund's credit risk is monitored on a quarterly basis by the Board of Directors. Where the credit risk is not in accordance with the investment policy or guidelines of the Fund the Investment Advisor will be required to recommend whatever action is necessary to resolve the situation.

Exposure to credit risk

The Fund's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

Derivative financial instruments

The Fund enters in over-the counter (OTC) derivatives. OTC derivatives expose the Fund to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Fund.

The Montreux Natural Resources Fund PLC

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Notes to the financial statements

For the year ended 31 March 2018

4. Financial risk management (continued)

(a) Credit risk management (continued)

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described earlier.

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired either at 31 March 2018 and 31 March 2017.

(b) Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and equity prices, will reduce the Fund's income or the value of its portfolios. Market risk arises principally from mismatches between the future yield on assets and their funding cost, as a result of interest rate changes.

As at 31 March 2018 and 31 March 2017, the Fund held investments in Master Fund and foreign exchange forward contracts therefore the Fund is not significantly exposed to market risk except to currency risks and interest rate risks.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund is a "feeder fund" in a Master/Feeder structure and substantially all of its assets are invested in the Montreux Natural Resources Fund (the "Master Fund"). The investment objective of the Master Fund is to generate uncapped absolute returns through a unique blend of physical commodity trading and systematic IT driven commodity trades.

The Master Fund's market risk is managed on a timely basis by the Investment Manager in accordance with policies and procedures in place. These are outlined in the company's Internal Risk Assessment Process and the Statement of Risk Appetite.

The Montreux Natural Resources Fund PLC

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Notes to the financial statements

For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management (continued)

Currency risk

The Fund holds assets denominated in currencies other than USD, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates.

At 31 March 2018 and 31 March 2017:

	2018 USD	2017 USD
Assets		
Cash equivalents at bank and broker	243	45
Other assets	-	56
	-----	-----
Total assets	243	101
	-----	-----
Liabilities		
Directors fee payable	(20,882)	-
	-----	-----
Total liabilities	(20,882)	-
	-----	-----
Net Assets	(20,639)	101
	=====	=====

The below table sets out the effect on the Fund's changes in net assets attributable to holders of redeemable participating shares of a possible weakening of GBP against the USD by 10%. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2018 USD	2018 %	2017 USD	2017 %
GBP	(2,064)	(0.008)	10	-

A strengthening of USD against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

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Notes to the financial statements
For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates prevailing in the market. The amount of cash at bank will be affected by the fluctuations in interest rates.

The following table analyses the Fund's interest rate risk exposure:

	Fixed rate USD 2018	Floating rate USD 2018	Non-interest bearing USD 2018	Total USD 2018
Assets				
Cash and cash equivalents	-	23,513	-	23,513
Financial assets – fair value through profit or loss	-	-	13,531,190	13,531,190
Other assets	-	-	100	100
Total	-	23,513	13,531,290	13,531,290
Liabilities				
Management fee payable	-	-	9,188	9,188
Due to Investment Manager	-	-	100	100
Other accruals	-	-	77,546	77,546
Total	-	-	86,834	86,834

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For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management (continued)

Interest rate risk (continued)

	Fixed rate USD 2017	Floating rate USD 2017	Non-interest bearing USD 2017	Total USD 2017
Assets				
Cash and cash equivalents	-	120,253	-	120,253
Financial assets – fair value through profit or loss	-	-	35,182,400	35,182,400
Due from Master Fund	-	-	100,000	100,000
Other assets	-	-	17,431	17,431
Total	-	120,253	35,299,831	35,420,084
Liabilities				
Management fee payable	-	-	16,067	16,067
Due to Investment Manager	-	-	100	100
Other accruals	-	-	2,158,654	2,158,654
Total	-	-	2,174,821	2,174,821

(c) Liquidity risk and funding

Liquidity risk is the risk that the Fund does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an extensive cost. The risk arises from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required. The management of liquidity and funding is carried out by the Fund in accordance with its practices and limits.

The Fund Manager is responsible for managing the liquidity of the Fund.

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4. Financial risk management (continued)

(c) Liquidity risk and funding (continued)

Management of liquidity risk

The Fund's policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's prospectus provides for the monthly creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at each redemption date.

The Fund's liquidity risk is managed on a daily basis by the Investment Advisor in accordance with policies and procedures in place.

The Fund's overall liquidity risk is monitored on a timely basis by the Board of Directors. The Fund's redemption policy only allows for redemptions on the last Business Day of each calendar week and such other day or days as determined by the Directors and shareholders must provide 10 days' notice.

Maturity analysis of financial liabilities

	Carrying amount USD	Gross amount USD	Less than 1 month USD	1 to 3 months USD	3 months to 1 year USD
31 March 2018					
Non derivative liabilities					
Management fee payable	9,188	9,188	9,188	-	-
Administration fees payable	3,327	3,327	3,327	-	-
Audit fee payable	21,000	21,000	21,000	-	-
Due to Investment Manager	100	100	100	-	-
Other payables	53,219	53,219	53,219	-	-
	86,834	86,834	86,834	-	-
Net assets attributable to the holders of redeemable shares	13,467,869	13,467,869	13,467,869	-	-

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4. Financial risk management (continued)

(c) Liquidity risk and funding (continued)

Maturity analysis of financial liabilities (continued)

	Carrying amount USD	Gross amount USD	Less than 1 month USD	1 to 3 months USD	3 months to 1 year USD
31 March 2017					
Non derivative liabilities					
Management fee payable	16,067	16,067	16,067	-	-
Administration fees payable	6,582	6,582	6,582	-	-
Audit fee payable	17,232	17,232	17,232	-	-
Due to Investment Manager	100	100	100	-	-
Other payables	2,134,840	2,134,840	2,134,840	-	-
	2,174,821	2,174,821	2,174,821	-	-
Net assets attributable to the holders of redeemable shares	33,245,163	33,245,163	33,245,163	-	-

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments do not vary significantly from this analysis, except for net assets attributable to the holders of redeemable shares, which the Fund has a contractual obligation to redeem within 30 days.

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4. Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

The Fund is responsible for managing this risk through a controls-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by monitoring external operational risk events, which ensure that the Fund stays in line with best practice and takes account of lessons learned from publicised operational failures within the industry.

Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development activities of the Fund.

The Board of Directors and Manager monitor capital on the basis of the value of net assets attributable to redeemable shares. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty or market factor, pricing assumptions and other risks affecting the specific instrument.

5. Use of estimates and judgements

Fair value

Management believes that the carrying value of financial assets and liabilities in the statement of financial position represents a reasonable approximation of their fair values.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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5. Use of estimates and judgements (continued)

Fair value hierarchy

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1	Level 2	Level 3
31 March 2018			
Financial assets at fair value through profit or loss			
Held for trading			
Investments in Master Fund	-	13,531,190	-
	-	13,531,190	-
31 March 2017			
Financial assets at fair value through profit or loss			
Held for trading			
Investments in Master Fund	-	35,182,400	-
	-	35,182,400	-

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6. Fees

Management Fee

The Fund has appointed Apex Fund Services (IOM) Ltd. to act as Manager of the Fund. The Manager is entitled to a management fee (the "Management Fee"), which is equal to 0.10% of Net Asset Value of the Fund calculated on the basis of 1/12th of 0.01% calculated weekly subject to a minimum of USD1,000 per month.

Investment Management Fee

The Fund has appointed Montreux Capital Management Cayman to act as Investment Advisor of the Fund. The Investment Advisor entitled to an investment management fee (the "Investment Management Fee") of 2% of the Net Asset Value of the Master Fund, payable out of the assets of the Master Fund.

Advisory Fee

The Investment Advisor is also entitled to receive a nominal advisory fee (the "Advisory Fee") of USD1 per month from the Fund.

Performance Fee

The Investment Advisor is also entitled to a performance fee (the "Performance Fee") of 20% of all net new profits of the Master Fund calculated on a weekly basis, subject to a high water mark. During the year over – performance fee accrued USD2,090,964.55 was written off.

Administration Fee

The Fund has appointed Apex Fund Services (IOM) Ltd. (the "Administrator") to serve as its administrator pursuant to an Administration Agreement between the Fund and the Administrator (the "Administration Agreement"). The Administrator receives from the Fund USD12,000 per annum plus an investor transaction cost of \$10 per investor transaction to be charged to the Fund.

The Fund shall reimburse the administrator for incurred out of pocket expenses which is 10% of the monthly administration fee. Additionally the administrator receives a one-time standard implementation fee of USD7,000.

Director Fee

The Fund will pay fees to the Directors. The remuneration of the Directors shall be determined from time to time by the holders of the Voting Shares.

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7 Cash and cash equivalents

	2018	2017
	USD	USD
Balances with a bank	23,513	120,253
	-----	-----
	23,513	120,253
	=====	=====

8 Financial assets and liabilities at fair value through profit or loss

	2018	2017
	USD	USD
Financial assets at fair value through profit or loss		
Held for trading		
Investments in Master Fund	13,531,190	35,182,400
	-----	-----
	13,531,190	35,182,400
	=====	=====

The Montreux Natural Resources Fund PLC
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9. Share capital

9.1 Share capital

The authorised share capital of the Fund is USD2,000 divided into 100 Management Shares of USD1.00 each and 1,900,000 Unclassified Shares of USD0.001 each. Management Shares carry a right to dividends (if any) declared in respect of the Fund. One Management Share has been issued at par and allotted to Montreux Capital Management Cayman. The Directors may issue any of the Unclassified Shares in the capital of the Fund as Participating Shares. The Participating Shares are non-voting redeemable preference shares issued in classes with reference to a particular Share Class. The Participating Shares carry a right to dividends (if any) declared in respect of the relevant Share Class.

As of 31 March 2018, the Fund has issued three classes: Share Class A, Share Class B and Share Class C with different currency subscription options (USD, CHF, Euro and GBP).

	2018	2017
Number of voting shares at beginning of the year	100	100
	-----	-----
Number of voting shares at the end of the year	100	100
	=====	=====

These voting shares are held by the Investment Advisor of the Fund.

	Class A CHF 2018	Class A EUR 2018	Class A GBP 2018	Class A USD 2018
Number of redeemable shares at beginning of the year	310.00	10,439.25	25,086.27	76,501.05
Subscriptions during the year	-	-	-	-
Redemptions during the year	-	-	-	-
	-----	-----	-----	-----
Number of redeemable shares at the end of the year	310.00	10,439.25	25,086.27	76,501.05
	=====	=====	=====	=====

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9. Share capital (continued)

9.1 Share capital (continued)

	Class B EUR 2018	Class B GBP 2018	Class B USD 2018	
Number of redeemable shares at beginning of the year	1,398.26	11,024.60	1,623.78	
Subscriptions during the year	-	-	-	
Redemptions during the year	-	-	-	
	-----	-----	-----	
Number of redeemable shares at the end of the year	1,398.26	11,024.60	1,623.78	
	=====	=====	=====	
	Class C EUR 2018	Class C GBP 2018	Class C USD 2018	
Number of redeemable shares at beginning of the year	11,018.00	8,398.07	33,857.84	
Subscriptions during the year	-	-	-	
Redemptions during the year	-	-	-	
	-----	-----	-----	
Number of redeemable shares at the end of the year	11,018.00	8,398.07	33,857.84	
	=====	=====	=====	
	Class A CHF 2017	Class A EUR 2017	Class A GBP 2017	Class A USD 2017
Number of redeemable shares at beginning of the year	310.00	10,439.25	25,086.27	76,501.05
Subscriptions during the year	-	-	-	-
Redemptions during the year	-	-	-	-
	-----	-----	-----	-----
Number of redeemable shares at the end of the year	310.00	10,439.25	25,086.27	76,501.05
	=====	=====	=====	=====

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9. Share capital (continued)

9.1 Share capital (continued)

	Class B EUR 2017	Class B GBP 2017	Class B USD 2017
Number of redeemable shares at beginning of the year	1,398.26	11,024.60	1,623.78
Subscriptions during the year	-	-	-
Redemptions during the year	-	-	-
	-----	-----	-----
Number of redeemable shares at the end of the year	1,398.26	11,024.60	1,623.78
	=====	=====	=====
	Class C EUR 2017	Class C GBP 2017	Class C USD 2017
Number of redeemable shares at beginning of the year	11,018.00	8,398.07	33,857.84
Subscriptions during the year	-	-	-
Redemptions during the year	-	-	-
	-----	-----	-----
Number of redeemable shares at the end of the year	11,018.00	8,398.07	33,857.84
	=====	=====	=====

In accordance with Private Placing Memorandum, in calculating the net assets attributable to holders of redeemable shares ("the NAV"), the Fund amortised the preliminary expenses over 60 months and valued its investments at the last-traded price. In these financial statements, the Fund charged all the establishment expenses to profit or loss as incurred in accordance with IAS 39. Accordingly, the NAV calculated under the Private Placing Memorandum does not equal the NAV shown in the financial statements at the year end. The difference is reconciled below:

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9 Share capital (continued)

9.1 Share capital (continued)

	Class A CHF 2018 CHF	Class A EUR 2018 EUR	Class A GBP 2018 GBP	Class A USD 2018 USD
NAV as stated in the financial statements	10,262	535,804	1,267,345	4,918,449
Adjustment for unamortised establishment expenses	3,574	18,696	96,262	19,849
Adjustment of timing difference	17,629	706,526	1,737,462	6,292,212
	-----	-----	-----	-----
NAV valued in accordance with Private Placing Memorandum	31,465	1,261,026	3,101,070	11,230,510
	=====	=====	=====	=====
Number of redeemable shares in issue	310.00	10,439.25	25,086.27	76,501.05
Net asset value per redeemable share in accordance with Private Placing Memorandum	101.50	120.79	123.61	146.80
		Class B EUR 2018 EUR	Class B GBP 2018 GBP	Class B USD 2018 USD
NAV as stated in the financial statements		62,198	545,893	100,217
Adjustment for unamortised establishment expenses		15,058	79,999	8,941
Adjustment of timing difference		98,437	797,490	139,086
		-----	-----	-----
NAV valued in accordance with Private Placing Memorandum		175,693	1,423,382	248,244
		=====	=====	=====
Number of redeemable shares in issue		1,398.26	11,024.60	1,623.78
Net asset value per redeemable share in accordance with Private Placing Memorandum		125.65	129.10	152.88

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9 Share capital (continued)

9.1 Share capital (continued)

	Class C	Class C	Class C
	EUR	GBP	USD
	2018	2018	2018
	EUR	GBP	USD
NAV as stated in the financial statements	649,122	494,770	2,014,669
Adjustment for unamortised establishment expenses	-	-	-
Adjustment of timing difference	827,089	630,418	2,567,023
	-----	-----	-----
NAV valued in accordance with Private Placing Memorandum	1,476,210	1,125,188	4,581,692
	=====	=====	=====
Number of redeemable shares in issue	11,018.00	8,398.07	33,857.84
Net asset value per redeemable share in accordance with Private Placing Memorandum	133.98	133.98	135.32
	Class A	Class A	Class A
	CHF	EUR	GBP
	2017	2017	2017
	CHF	EUR	GBP
NAV as stated in the financial statements	39,887	1,902,277	4,458,484
Adjustment for unamortised establishment expenses	4,223	37,505	146,326
	-----	-----	-----
NAV valued in accordance with Private Placing Memorandum	44,110	1,939,782	4,604,810
	=====	=====	=====
Number of redeemable shares in issue	310.00	10,439.25	25,086.27
Net asset value per redeemable share in accordance with Private Placing Memorandum	142.29	185.82	183.56
			195.05

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9. Share capital (continued)

9.1 Share capital (continued)

	Class B	Class B	Class B
	EUR	GBP	USD
	2017	2017	2017
	EUR	GBP	USD
NAV as stated in the financial statements	250,710	2,007,537	318,541
Adjustment for unamortised establishment expenses	17,891	93,028	9,518
	-----	-----	-----
NAV valued in accordance with Private Placing Memorandum	268,601	2,100,565	328,059
	=====	=====	=====
Number of redeemable shares in issue	1,398.26	11,024.60	1,623.78
Net asset value per redeemable share in accordance with Private Placing Memorandum	192.10	190.53	202.03
	Class C	Class C	Class C
	EUR	GBP	USD
	2017	2017	2017
	EUR	GBP	USD
NAV as stated in the financial statements	1,498,732	1,141,338	4,655,252
Adjustment for unamortised establishment expenses	1,179	1,915	-
	-----	-----	-----
NAV valued in accordance with Private Placing Memorandum	1,499,911	1,143,253	4,655,252
	=====	=====	=====
Number of redeemable shares in issue	11,018.00	8,398.07	33,857.84
Net asset value per redeemable share in accordance with Private Placing Memorandum	136.13	136.13	137.49

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9. Share capital (continued)

9.2 Share premium

As per the Private Placement Memorandum ("PPM") of the Fund, Redeemable Shares will be offered at a Subscription Price of USD100.00 during the offering period. Subsequent subscriptions will be issued at the Net Asset Value as at the immediately preceding Valuation Date. The Fund reserves the right to raise or lower the minimum initial subscription amount. Upon exercise of share, the cash proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Fund, related parties, as defined in the International Accounting Standard 24 ("IAS 24") (revised), include major shareholders of the Fund, directors and officers of the Fund and companies of whom they are principal owners and key management personnel. Transactions are entered into with related parties on agreed terms and conditions approved by Management.

One of the directors of the Fund, Oliver Harris is also a director of the Investment Advisor.

Transactions and balances with related parties are as follows:

	2018	2017
	USD	USD
Transactions during the year		
Management fee	37,140	28,922
Administration fees	13,200	13,200
Directors fee	55,465	71,231
Balances as at 31 March		
Included in liabilities:		
Management fee payable	9,188	16,067
Administration fees payable	3,327	6,582
Directors fee payable	11,027	13,224
Investment Management Fee	-	2,090,964

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11. Contingent liabilities and commitments

There were no significant contingent liabilities at the reporting date. The Fund has no external capital commitments as of the reporting date. (2017: \$NIL)

12. Significant events

The Master Fund has completed the sale of one of its assets, GRB, to a related entity to the Investment Advisor. This transaction ensures that the company is in a position to meet its liabilities over the next two years while the Master Fund is being wound down.

13. Subsequent events

The Master Fund completed the sale of GRB to an associated company of the Investment Advisor. This transaction ensures that the Company is in a position to meet its liabilities during the wind down period which is anticipated to take two years.

Investors should note that during the wind down period distributions will be made to all investors as and liquidity becomes available and all shareholders will be treated the same. All redemption requests are indefinitely suspended.