Menhaden

Menhaden PLC
(Formerly Menhaden Capital PLC)
Annual Report for the year ended 31 December 2018

Menhaden PLC – Annual Report

Company Summary

Menhaden PLC (formerly Menhaden Capital PLC) (the "Company") is an investment trust. Its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies.

Investment Objective

The Company aims to generate long-term shareholder returns, predominantly in the form of capital growth, by investing in businesses and opportunities delivering or benefiting from the efficient use of energy and resources irrespective of their size, location or stage of development.

Management

The Company employs Frostrow Capital LLP as its Alternative Investment Fund Manager ("AIFM") to provide company management, company secretarial, administrative and marketing services. Frostrow and the Company have jointly appointed Menhaden Capital Management LLP as Portfolio Manager. Further details of these appointments are provided on pages 17 and 18.

Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given on page 31 and in note 10 to the financial statements on page 67.

ISA Status

The Company's shares are eligible for Stocks and Shares ISAs.

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.

Menhaden

Menhaden are forage fish that occur in great abundance in the West Atlantic Ocean. The name, Menhaden, is derived from the Native American expression "he fertilises" referring to the wide spread use of the fish as a fertiliser. Menhaden filter vast quantities of water and play a key role in the food chain. It has been argued that the environmental movement and fisheries ecology rose from the first collapse in the population of Menhaden in the 1860s as this was used as a prominent example of mankind's impact on the oceans and the importance of using resources sustainably.

Frostrow
CAPITAL

Company Performance

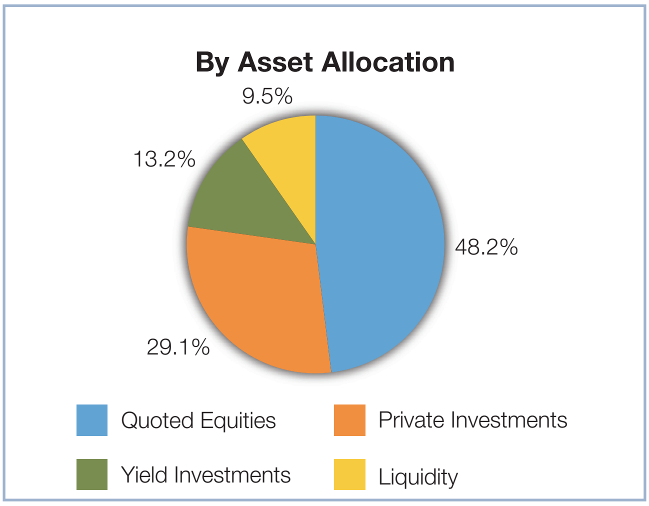
As at 31 December 2018	For the year ended 31 December 2018
90.6p NAV per share — 2017: 92.1p	**-1.6%** NAV per share (total return) — 2017: 7.8%
67.0p Share price — 2017: 68.5p	**-2.2%** Share price (total return) — 2017: 3.2%
26.1% Share price discount to NAV per share — 2017: 25.6%	**2.1%** Total ongoing charges — 2017: 2.1%

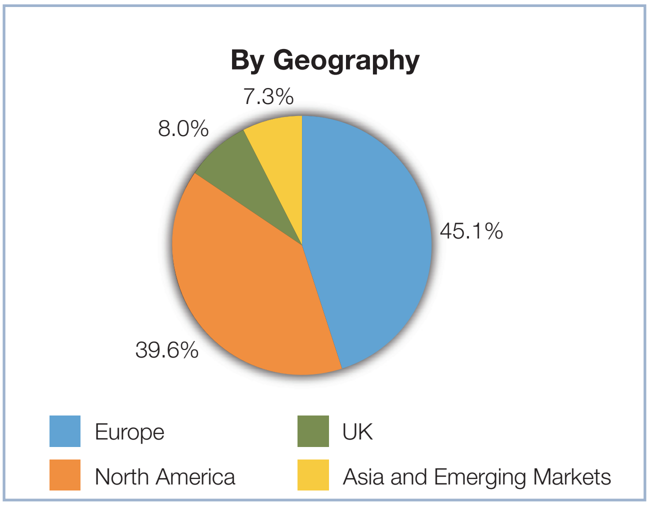
The MSCI World Total Return Index (in sterling) returned -3.0% (2017: +11.8%).

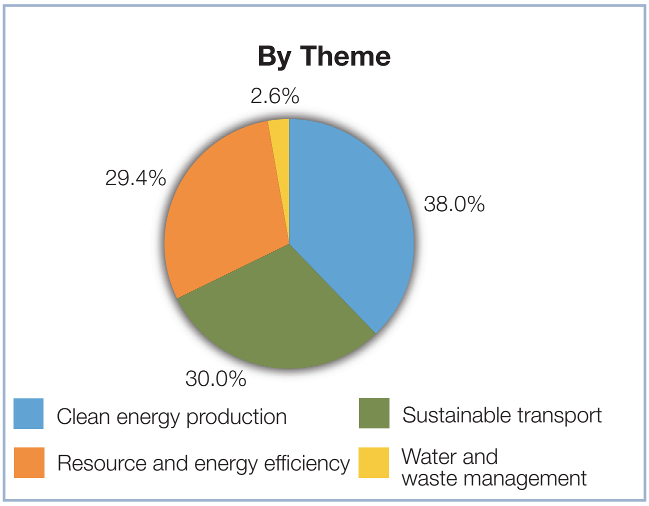
This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 76 and 77 gives definitions for frequently used terms.

Company Summary

Portfolio Distribution







Investment Themes

Theme	Description
Clean energy production	Companies producing power from clean sources such as solar or wind
Resource and energy efficiency	Companies focused on improving energy efficiency (e.g. in buildings or manufacturing processes) or creating emissions reduction products or services
Sustainable transport	Companies in the transport sector focused on helping to reduce harmful air emissions/distance travelled
Water and waste management	Companies with products or services that enable reductions in usage/volumes and/or smarter ways to manage water and waste

Chairman's Statement

Sir Ian Cheshire

I present our fourth annual report since the launch of the Company in July 2015. This report covers the year ended 31 December 2018.

Performance

The Company's net asset value ("NAV") per share total return for the year was -1.6% (2017: +7.8%) and the share price total return was -2.2% (2017: +3.2%).

While the Company does not have a formal benchmark and our Portfolio Manager does not invest by reference to an index, during the year the MSCI World Total Return Index (in sterling) fell by 3.0% (2017: +11.8%). By way of additional comparison, the WilderHill New Energy Global Innovation Index (in sterling) fell by 14.1% (2017: +17.0%) and the AIC Environmental Sector fell by 4.2% (2017: +12.0%).

Our Portfolio Manager has provided a full description of the development and performance of the portfolio over the year in the Portfolio Manager's Review beginning on page 10.

While it is disappointing that our performance figures for the year are negative, the Board is encouraged by the Company's outperformance of the above mentioned comparators, confirming the Portfolio Manager's investment strategy. The Board will continue to keep the ongoing development of the portfolio under close review.

Share Price Discount

At the year-end, the discount to NAV per share at which the Company's shares trade had widened slightly to 26.1% (2017: 25.6%). This is a matter that the Board considers at each Board meeting. As reported previously, the Board is of the opinion that share buybacks are not in the interests of shareholders at this time, as this would reduce the size of the Company and increase the ongoing charges ratio. Instead, and in addition to monitoring the Portfolio Manager's performance, the Board and the AIFM continue to focus on the Company's marketing and distribution strategy.

Company Name

As shareholders will have noted already, the Company's name was changed on 14 December 2018 from Menhaden Capital PLC to Menhaden PLC. Share certificates showing the old name are still valid and therefore no new share certificates have been issued.

Impact Report

This year we have again integrated the Company's impact reporting within the annual report. The relevant section is on pages 23 to 27 of the Strategic Report and will also be made available as a separate document, which will include the methodological detail, on the website www.menhaden.com.

Dividend

The Company complies with the United Kingdom's investment trust rules regarding distributable income and the Company's dividend policy is that the Company will pay a dividend as a minimum to maintain investment trust status.

Shareholders will note that in 2018 the Company made a revenue profit and that revenue losses from previous years have now been reversed. As a result, the Board recommends to shareholders for the first time, the payment of a modest dividend to allow the Company to comply with the investment trust rules regarding distributable income.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 0.7p per share will be paid on 5 June 2019 to shareholders on the register on 3 May 2019. The associated ex-dividend date is 2 May 2019.

Outlook

Global growth is weakening and geopolitical issues continue to cause uncertainty and volatility in stock markets. Despite this backdrop, our Portfolio Manager remains optimistic about the long-term outlook for the environmental sector in general and the opportunities for the companies in your portfolio in particular. As such they will continue to focus on selecting stocks whose strong prospects will be crucial in the long term.

The Board continues to support the Portfolio Manager's investment strategy and believes that it should provide positive returns for the long-term investor.

Annual General Meeting

The Company's fourth Annual General Meeting ("AGM") will again be held at the offices of Herbert Smith Freehills, Exchange House, Primrose Street, London EC4A 2EG on Wednesday, 29 May 2019 at 12 noon. Further details can be found on pages 80 to 83.

As notified to shareholders last year, this year we have not included paper forms of proxy to accompany the notice of AGM at the end of this report. Shareholders can vote online by visiting www.signalshares.com and following instructions. However, any shareholders who require a hard copy form of proxy may request one from the registrar, Link Asset Services. Instructions are set out on page 81.

The AGM provides shareholders with an opportunity to meet the Directors and to receive a presentation from our Portfolio Manager. I hope as many shareholders as possible will attend and I look forward to meeting you at that time, together with my Board colleagues. Any shareholders who are unable to attend or who wish to discuss any matters with the Board are invited to contact me through the Company Secretary whose details are set out on page 84.

Sir Ian Cheshire
Chairman
1 April 2019

Investment Objective and Policy

Investment Objective

The Company's investment objective is to generate long-term shareholder returns, predominantly in the form of capital growth, by investing in businesses and opportunities, delivering or benefitting from the efficient use of energy and resources irrespective of their size, location or stage of development.

Whilst the Company pursues an active, non-benchmarked total return strategy, the Company is cognisant of the positioning of its portfolio against the MSCI World Total Return Index (in sterling). Accordingly, the Portfolio Manager will take notice of the returns of that index with a view to outperforming it over the long term.

Investment Strategy

The implementation of the Company's investment objective has been delegated to Frostrow Capital LLP ("Frostrow" or the "AIFM") by the Board. Frostrow has, in turn and jointly with the Company, appointed Menhaden Capital Management LLP as the Portfolio Manager.

Details of the Portfolio Manager's approach are set out in the Investment Process section on page 15 and in their review beginning on page 10.

While the Board's strategy is to allow flexibility in managing the investments, in order to manage investment risk it has imposed various investment, gearing and derivative guidelines and limits, within which Frostrow and the Portfolio Manager are required to manage the investments, as set out below.

Any material changes to the investment objective or policy require approval from shareholders.

Investment Policy

The Company's investment objective is pursued through constructing a conviction-driven portfolio consisting primarily of direct listed and unlisted holdings across asset classes and geographies.

Asset Allocation

The Company invests, either directly or through external funds, in a portfolio that is comprised of three main allocations:

- listed equity;
- yield assets; and
- special situations.

The flexibility to invest across asset classes affords the Company two main benefits:

- it enables construction of a portfolio based on an assessment of market cycles; and
- it enables investment in all opportunities which benefit from the investment theme.

It is expected that the portfolio will comprise approximately 15 to 30 positions.

Geographic Focus

Although the portfolio is predominantly focused on investments in developed markets, if opportunities that present an attractive risk and reward profile are available in emerging markets then these may also be pursued.

While many of the companies forming the portfolio are headquartered in the UK, USA or Europe, it should be noted that many of those companies are global in nature, so their reporting currency may not reflect their actual geographic or currency exposures.

Investment Restrictions

Subject to any applicable investment restrictions contained in the Listing Rules from time to time, the Portfolio Manager will not make an investment if it would cause the Company to breach any of the following limits at the point of investment:

- no more than 20% of the Company's gross assets may be invested, directly or indirectly through external funds, in the securities of any single entity; and
- no more than 20% of the Company's gross assets may be invested in a single external fund.

Hedging

The Company may enter into any hedging or other derivative arrangements which the Portfolio Manager (within such parameters as are approved by the Board and the AIFM and in accordance with the Company's investment policy) may from time to time consider appropriate for the purpose of efficient portfolio management, and the Company may for this purpose leverage through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments.

Cash Management

There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

Borrowing and Leverage Limits

The Company may incur indebtedness for working capital and investment purposes, up to a maximum of 20% of the net asset value at the time of incurrence. The decision on whether to incur indebtedness may be taken by the Portfolio Manager within such parameters as are approved by the AIFM and the Board from time to time. There will be no limitations on indebtedness being incurred at the level of the Company's underlying investments (and measures of indebtedness for these purposes accordingly exclude debt in place at the underlying investment level).

At the date of this report, the Company had no borrowings.

In addition, under the AIFMD rules, the Company is required to set maximum leverage limits. Leverage is defined under the AIFMD as any method by which the total exposure of an AIF is increased. Further explanation is provided in the Glossary on page 76.

During the year under review, the maximum leverage limits were 200% on a gross basis and 120% on a commitment basis. With effect from 15 February 2019, the Board and the AIFM decided to raise the commitment limit from 120% to 200% in order to increase flexibility and allow the Portfolio Manager to take appropriately sized positions in strategies and instruments designed to protect shareholders' funds and hedge against market risk where that strategy or instrument does not meet the strict definition of a hedge under the AIFMD rules.

The borrowing limit of a maximum of 20% of net asset value remains in place and this change to the leverage limit will only be utilised by investments designed to reduce the risk and protect the capital of the Company.

As at 31 December 2018, the Company employed leverage through the use of foreign currency forwards to partially hedge the Company's US dollar and euro exposures, resulting in leverage of 128.2% under the gross method and 100.7% under the commitment method. Further details are shown on page 69.

Other Investment Restrictions

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy.

The Listing Rules currently restrict the Company from investing more than 10% of its total assets in other listed closed-ended investment funds, save that this restriction does not apply to investments in closed-ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds. The Company will comply with this investment restriction (or any variant thereof) for so long as such restriction remains applicable.

At the date of this report, the Company was not invested in any closed-ended investment funds.

In the event of any material breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the AIFM through an announcement to the Stock Exchange.

Portfolio

Investments held as at 31 December 2018

Investment	Country/region	Fair Value £'000	% of Total Net Assets
X-ELIO*[1]	Spain	15,594	21.5
Safran	France	7,159	9.9
Alphabet	United States	6,938	9.6
Airbus	France	6,858	9.4
Calvin Capital*[2]	Britain	3,867	5.3
Terraform Power	United States	2,879	4.0
Ocean Wilsons Holding	Bermuda	2,871	4.0
Canadian Pacific Railway	Canada	2,858	3.9
Union Pacific	United States	2,821	3.9
Brookfield Renewable Partners	Canada	2,612	3.6
Top Ten investments		**54,457**	**75.1**
Air Products & Chemicals	United States	2,462	3.4
Atlantica Yield	Britain	2,372	3.3
TCI Real Estate Partners Fund III*	United States	1,519	2.1
Waste Management, Inc.	United States	1,310	1.8
Infigen Energy	Australia	1,286	1.8
WCP Growth Fund LP*	Britain	947	1.3
Perfin Apollo 12*	Brazil	711	1.0
NJS Co	Japan	388	0.5
Atlantica Yield 7.00% 15/11/2019	Britain	159	0.2
Total investments		**65,611**	**90.5**
Net Current Assets		6,897	9.5
Total Net assets		**72,508**	**100.0**

1 Investment made through Helios Co-Invest L.P.

2 Investment made through KKR Evergreen Co-Invest L.P.

* Unquoted

Business Description	Theme
Develops and operates solar energy assets	Clean energy production
Supplies energy efficient systems equipment for aerospace, defence & security	Sustainable transport
Parent company of Google which uses 100% renewable energy	Resource and energy efficiency
Designs and manufactures aircraft with fuel-efficient engines	Sustainable transport
Invests in utility infrastructure assets including smart meters	Resource and energy efficiency
Operates contracted renewable energy assets	Clean energy production
Operates ports and provides (lower climate impact) maritime services in Brazil	Resource and energy efficiency
Owns and operates (fuel-efficient) freight railways in Canada and the USA	Sustainable transport
Provides (fuel-efficient) rail freight services in the USA	Sustainable transport
Open-ended fund investing in hydroelectric and wind facilities	Clean energy production
Sells gases and chemicals which help industries to use energy more efficiently	Resource and energy efficiency
Owns and manages contracted renewable energy assets	Clean energy production
Invests in energy efficient real estate projects	Resource and energy efficiency
Northern American provider of waste management and environmental services	Water and waste management
Develops, owns and operates renewable energy generation assets	Clean energy production
Growth capital fund managed by specialist private equity firm	Resource and energy efficiency
Builds and operates energy transmissions lines in Brazil	Resource and energy efficiency
Offers environmental, water and sewerage consulting services in Japan	Water and waste management
Owns and manages contracted renewable energy assets	Clean energy production

Portfolio Manager's Review

Investment & Business Review

Menhaden PLC launched in an initial public offering on the main market of the London Stock Exchange on 31 July 2015. The Company focuses on opportunities arising from the more efficient use of energy and resources. Menhaden Capital Management LLP considers all opportunities through a value lens, with the aim of identifying investments – publicly traded and private – with low downside risk relative to return, backed by identifiable assets or cash flows, at attractive valuations.

Performance

During 2018, the Company's NAV per share decreased from 92.1p to 90.6p. This represents a decline of 1.6% for the year, and compares to a decline in the MSCI World Index of 3.0%. The Company's share price traded at a 26.1% discount to NAV as at 31 December 2018. The contribution to the 1.6% NAV per share decline over the period is summarised below:

Asset Category	31 December 2018 NAV %	Contribution %
Quoted Equities	48.2	(1.5)
Private Investments	29.1	4.6
Yield Investments	13.2	(1.1)
Liquidity	10.6	–
Foreign exchange forwards	(1.1)	(1.5)
Gross return		
Expenses	–	(2.1)
Net Assets	**100.0%**	**(1.6)**

There is no doubt that 2018 was a difficult year for investors, with all major asset classes producing negative returns for the year. Equity markets were characterised by dramatic and sometimes seemingly irrational share price moves. Whilst we are disappointed that our portfolio produced a negative return for the year, we note that our portfolio outperformed on a relative basis in these down markets. Our relentless focus on companies offering predictable financial performance and value, combined with a significant weighting to cash (approximately 10% throughout the year), served us well in 2018.

Quoted Equity

The quoted equity portfolio's contribution to the decline was -1.5% for the year and as at 31 December 2018 accounted for 48.2% of the portfolio. We continued to rotate our quoted equities portfolio towards conviction holdings in established businesses with strong competitive positioning and highly predictable and stable cash flows. Our quoted equities portfolio outperformed the MSCI World Index (sterling) by 1.5% for the year. Our core holdings in Air Products, Airbus, Alphabet, Ocean Wilsons Holdings and Safran all ended the year in positive territory.

Safran was the stand-out performer in our public equities portfolio for the year, gaining 25.4% and adding 2.0% to our NAV. Safran manufactures aviation engines that are approximately 15% more fuel efficient than the industry standard. The company reported excellent results for the year to date delivering organic growth of 10.5% for the first nine months of this year over the same period last year. It is on track to deliver 1,100 LEAP engines for 2018 with transition costs from CFM 56 to LEAP running better than expectations. At its Capital Market Day in November, the company published solid medium-term targets with group revenues expected to grow at mid-single digits organically and margins to be in the range of 16-18% over 2018-22 estimates. Management expects to return c.75% of cumulative free cash flow to shareholders over the medium term, with c.50% through dividends and a further c.25% through buybacks.

During January we added **Alphabet**, parent company of Google, to the portfolio. Google is the world's largest buyer of electricity generated from renewable sources: 2,600 megawatts, which represents 100% of the electricity used by the company. We like businesses with strong market positions, and Google has a very strong position globally in search, with that position being strengthened significantly over time as more and more people switch to mobile, which favours Google. The company is highly cash generative, with an expected free cash flow conversion of around half of EBITDA during the next five years. Google's share price has lagged its technology peers in recent months, and offers good value at these levels, in our view.

We decided to sell our position in transport provider First Group in February, having decided that the group no longer presents an attractive risk to reward ratio due to its poor competitive positioning and highly levered balance sheet.

In April we added **Ocean Wilsons Holding** to the portfolio. The company controls Brazilian port terminal operator Wilson Sons, which has an asset base with high barriers to entry and substantial operating leverage to growth in Brazil's international trade shipping sector. On a per unit basis, shipping has the lowest climate impact of any freight method, producing between 10-40 grams of CO2 per metric ton of freight per km of transportation, which is around half that even of rail freight. Currently Ocean Wilsons Holding is trading at a material discount to its peers, on a forward EV/EBITDA of less than 7x, in comparison to peers which trade on average at around 10x, and a recent large transaction which took place at more than 14x. Ocean Wilsons Holding enables us to obtain exposure to Wilson Sons at a discount of around 30%, which offers us a markedly asymmetric risk-reward profile whilst providing a dividend yield of circa 5%. Although the shares surged 25% in July following an announcement that the Board of Wilson Sons was initiating a strategic review to consider how best to unlock value from within the group, the share price sharply reverted following Q2 results. We expect to hear the conclusion of the strategic review in 2019.

We sold our position in Volkswagen during May, crystallising a total return of circa £2 million. Initially, we took the decision to redeploy the proceeds into Porsche Holdings, which offers exposure to Volkswagen (of which Porsche is the holding company) at a significant discount. However, Porsche declined sharply in the days after this redeployment and we took the decision quickly to cut our losses (0.7% of the NAV) and sell the position entirely. Whilst we believe that Volkswagen is well placed to take a leading position in the global market for electric vehicles we have begun to question the attractiveness of the broader automotive industry at what is, in our view, an increasingly late stage of the global economic cycle.

In June we initiated positions in **Union Pacific** and **Canadian Pacific** Railways. Rail is substantially the most fuel efficient onshore form of freight transportation. Both of these rail freight leaders benefit from tangible barriers to entry and are positioned to benefit from both volume and pricing growth, helped by the current capacity constraints in the trucking sector. Canadian Pacific has emerged from a significant turnaround between 2012 and 2016 through the implementation of precision scheduled railroading (PSR). As such, the company continues to drive growth on the back of market share gains from rail peer Canadian National, as well as the trucking market, with significant opportunities identified for the next two years. Union Pacific on the other hand is at the beginning of this journey with the ongoing implementation of PSR under its Unified Plan 2020. The productivity gains were already apparent in its strong Q4 2018 results, and we believe the appointment of the new COO, Jim Vena from Canadian National, gives further credibility to the company's strategy to unlock major efficiency gains.

In June we also sold our position in Adient, which makes lightweight seating and other automotive parts, following successive profit warnings and continuing operational challenges at the company. The last straw for us was the departure of the CEO/Chairman ahead of the company's fiscal Q3 2018 results. In addition, our cautious outlook for the automotive industry given the escalating trade-war as well as the increasingly late stage of the economic cycle, significantly undermined our conviction of upside value in Adient over the medium term.

We sold our position in poorly performing European wind turbine manufacturer Senvion during the summer, following a period of poor financial performance which can be blamed in part on industry-related factors, and particularly ongoing cost deflation and consequent pressure on margins. However, the replacement of the CEO with the CFO brought additional uncertainty at an already challenging time.

Australian wind power developer and operator **Infigen** was the worst performer in the portfolio for the year, declining by 48.8%, which cost us 1.7% of NAV. The significant decline of the Australian dollar, combined with continued uncertainty around renewables policy in Australia, were factors underlying the poor share price performance of Infigen. We continue to closely monitor developments affecting the renewable energy market in Australia, and the progress of the development of Infigen's substantial pipeline of new assets.

We added **Waste Management** to the portfolio in October, as a way to gain exposure to growth in the waste

Portfolio Manager's Review
continued

sector. The North American provider of waste management services is highly concentrated geographically, being the largest player in the US operating across 48 states, with a dominant market share of 20%. In addition, Waste Management benefits from stable volumes and pricing power owing to its ownership of landfill sites. In our view the group offers an appealing combination of predictable free cash flow generation, solid competitive position and a shareholder friendly management team.

Whilst **Airbus** shares performed well during the first nine months of the year, this positive performance was mostly reversed in the fourth quarter with the shares ending the year only marginally higher. Operationally, Airbus made notable progress and managed to fulfil its revised pledge to deliver 800 aircraft in 2018. The group will cease production on the loss-making A380 programme in 2021 and is now aiming to produce 63 aircraft per month as part of its A320 program in the same year. The new A320neo aircraft are expected to deliver up to 20% fuel efficiency savings, which will be key in helping the airline industry achieve its goal of carbon neutral growth after 2020. Finally, Airbus also announced the internal appointment of French engineer, Guillaume Faury, as its new CEO and Dominik Asam, formerly of Infineon Technologies, as its new CFO, both effective from April 2019.

Yield Investments

Our portfolio of yield investments represented 13.2% of our total NAV at the end of June, and declined by 7.8% during the period, costing us 1.1% of our NAV.

During March we decided to commit US $15 million to the **TCI Real Estate Partners Fund III** ("TCI"). TCI is an investment firm headquartered in London with US$26 billion under management. The founder, Chris Hohn, has passed the majority of his wealth to a children and climate change-focused foundation named the Children's Investment Fund Foundation (CIFF), a UK charity. Whilst TCI has focused on global equities, the firm created a credit strategy in 2009 for CIFF. This strategy provides asset-backed loans to prime real estate development projects that are best in class in terms of energy efficiency and environmental standards. The strategy has generated returns of circa 11% annually since inception. Due to the success of the strategy, TCI invited a limited number of investors to participate alongside CIFF in the new fund. There is no management fee on the fund and investors will pay a carried interest of 20% over a hurdle of 6%. The fund has an expected life of 5-7 years.

In June we decided to exit our positions in Brazilian water utilities Copasa, Sanepar and Sabesp, given the heightened political uncertainty in Brazil ahead of the elections in October, as well as weakening of the currency as the Brazilian real hit a 2-year low in June.

Brookfield Renewable Energy suffered a share price decline of 16.9% during the year, costing us 0.7% of our NAV. After a strong 2017, when the shares rose 14.2%, the share price was initially hurt by rising US Treasury yields, along with other yield plays. However, the continued weakness through the year perplexed us. We continue to view Brookfield as both a best in class operator and allocator of capital, which possesses a portfolio of advantaged renewable power assets. With the current organic development pipeline and contract escalators underpinning both cash flow and distribution growth, we continue to see a bright future ahead for the group.

Private investments

We successfully sold our interest in the Alpina Fund during July. This sale brought us cash proceeds of around £2.3 million, in addition to the circa £1.6 million received during June from the sale of portfolio company Dolan. Moreover, the sale of this position releases us from the remaining drawdown commitment to the Alpina Fund of circa £2.3 million.

Our holding in private solar developer and operator **X-ELIO** was marked up by 25.2% during the year, adding 4.3% to our NAV. X-ELIO successfully completed the sale of a 186MW portfolio of operating and under-construction solar assets in Japan to the Development Bank of Japan and Tokyu Land. The enterprise value of the deal was $720 million, and the equity proceeds to X-ELIO (net of all transaction expenses) was US$241 million. X-ELIO plans on retaining the sale proceeds in the company to fund the construction of its secured tariff pipeline of projects in Mexico, Spain and Japan. X-ELIO's remaining operating solar assets have continued to perform strongly, and the company has made significant progress in its development pipeline during the year.

Our other private co-investment with KKR's infrastructure team, **Calvin Capital**, the UK's market-leading domestic energy metering company, was also written up during the year, by 3.8%, adding 0.2% to our NAV. Calvin's portfolio of meters has increased substantially during the year, and the proportion of Calvin's total portfolio represented by new 'smart' meters is now more than half for the first time. The financial out-performance against the original plan has been driven largely by increased compensation for old-fashioned 'dumb' meters (such as termination payments), good cost management by Calvin's management team, and some efficiency programs. Moreover, Calvin has secured its first overseas contract in Australia. At the end of the year, we received our first dividend from Calvin of £142,000.

Outlook

As we exit 2018 we are happy with the overall quality of our portfolio. We now own a number of competitively positioned businesses, which benefit from real barriers to entry and which can deliver material earnings growth in the coming years. Moreover, with the sale of our interest in the Alpina Fund, our exposure to legacy private equity fund positions now represents less than 1% of the portfolio and our remaining portfolio of private investments are all alongside top tier operators, with whom we are co-invested on a fee-free basis, and backed by assets with predictable cash-flows.

However, we are mindful that the global economy appears to have entered a period of at least slowing economic growth, which could pose a prolonged headwind for both equity and credit markets at a time of escalated corporate leverage.

We intend to continue focusing on what we can control. That means preserving our capital and deploying it into opportunities which offer the best balance between risk and reward across asset classes. In our view this is the path to superior and sustainable investment performance.

Menhaden Capital Management LLP
Portfolio Manager
1 April 2019

Investment Committee

Menhaden Capital Management LLP has been appointed as the Company's Portfolio Manager. The Portfolio Manager's Investment Committee makes all investment and disinvestment decisions in respect of the Company.

Graham Thomas

Graham Thomas is the non-executive chairman of the Investment Committee. Before founding Menhaden Capital Management LLP with Ben Goldsmith, Graham chaired the Executive Committee of RIT Capital Partners plc. Prior to this, Graham was the head of the Standard Bank Group's US$3 billion Principal Investment Management division, which was established in 2008 under his leadership. He joined Standard Bank from MidOcean Partners in London, where he was a founding partner. Before MidOcean Partners, he was an Executive Director in the Investment Banking division of Goldman Sachs & Co.

Graham is currently CEO of private equity firm, Stage Capital, and on the investment committee of Apis Partners. He is a Rhodes Scholar with degrees from Oxford and the University of Cape Town.

Ben Goldsmith

Ben is the Chief Executive Officer of Menhaden Capital Management LLP. Before co-founding Menhaden Capital Management LLP, Ben co-founded the WHEB group, one of Europe's leading energy and resource-focused fund investment businesses. Ben is a director of Cavamont Holdings, the Goldsmith family's investment holding vehicle. Ben also chairs the UK Conservative Environment Network, a group which has a preference for decentralised, market-orientated solutions to environmental and resource issues. In March 2018, Ben was appointed as a non-executive director of the Department for Environment, Food and Rural Affairs.

Luciano Suana

Luciano is an investment manager at Menhaden Capital Management LLP. Before joining Menhaden Capital Management LLP, Luciano was a Director of Barclays Capital in the Capital Markets division where he ran the credit trading operations for Brazil out of São Paulo. Before Barclays, Luciano was a Director of Dresdner Kleinwort in London. There he focused mainly on Infrastructure, Utilities and Real Estate assets as head of the Illiquids Credit group.

Luciano holds a Licenciatura in business administration from Universitat Autònoma de Barcelona and was granted the Premio Extraordinario de Fin de Carrera for outstanding academic performance.

Investment Process

The portfolio management team, which has day to day responsibility for managing the portfolio, is led by Luciano Suana, and comprises Ben Goldsmith, Edward Pybus and Jessica Kaur.

The portfolio management team presents investment opportunities to the Investment Committee, which is chaired by Graham Thomas.

Thematically, the team seeks to invest in opportunities, publicly traded or private, which either deliver or benefit from the more efficient use of energy and resources. All investment opportunities are assessed through a value lens, with the aim of acquiring investments with low downside risk, backed by identifiable assets and cash flows, at attractive valuations. The team seeks to invest with a long-term perspective, and with high conviction. Consequently, the portfolio comprises around 20 positions and the team aims for portfolio turnover to be low.

When identifying suitable investment opportunities, the portfolio management team is cognisant of the UK Stewardship Code and the UN Principles of Responsible Investment.

Investment Committee

The Investment Committee meets weekly in order to consider the investment opportunities presented by the portfolio management team. All investment decisions must be made with the unanimous consent of all members of the Investment Committee unless one of the members has a potential conflict of interest, in which case that member will excuse himself from that particular decision.

Strategic Advisory Group

The Investment Committee is supplemented by a Strategic Advisory Group, which assists the Committee in implementing the Company's investment objective and policy. The Strategic Advisory Group does not have a formal mandate or responsibilities, but meets with the Investment Committee from time to time to discuss the macroeconomic environment, factors affecting the broad investment theme of the Company, market conditions and portfolio construction.

Investment Network

The portfolio management team has access to a proprietary investment network, which includes a group of investment managers of external funds and, from time to time, external experts and advisers. The portfolio management team believe that this is of benefit to the investment process and helps to source opportunities that they believe would not otherwise be available to the Company.

Business Review

The Strategic Report on pages 2 to 27 has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The Company is an Alternative Investment Fund ("AIF") under the European Union's Alternative Investment Fund Managers Directive ("AIFMD") and has appointed Frostrow Capital LLP as its Alternative Investment Fund Manager ("AIFM").

As an externally managed investment trust, all of the Company's day-to-day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Board

Details of the Board of Directors of the Company are set out on pages 28 and 29.

All Directors will seek re-election by shareholders at the Annual General Meeting to be held on 29 May 2019.

Board Focus and Responsibilities

With the day-to-day management of the Company outsourced to service providers, the Board's primary focus at each Board meeting is reviewing the investment performance and associated matters such as future outlook and strategy, gearing, asset allocation, investor relations, marketing and industry issues.

In line with its primary focus, the Board retains responsibility for all the key elements of the Company's strategy and business model, including:

- continuous review of the investment objective and policy, incorporating the investment guidelines and limits;
- review of the maximum levels of gearing and leverage the Company may employ;
- review of performance against the Company's KPIs and peer group;
- review of the performance and continuing appointment of service providers; and
- maintenance of an effective system of oversight, risk management and corporate governance.

The investment objective and policy, including the related limits and guidelines, are set out on pages 6 and 7, along with the details of the leverage and gearing levels allowed.

Details of the principal KPIs and further information on the principal service providers, their performance and continuing appointment, along with details of the principal risks and how they are managed, follow within this Business Review.

The Corporate Governance Statement, on pages 35 to 39, includes a statement of compliance with corporate governance codes and best practice. The Audit Committee Report starting on page 40 contains an outline of the internal control and risk management framework within which the Board operates.

Key Performance Indicators ("KPIs")

The Board monitors the following KPIs, details of which can be found on page 2:

- Net asset value ("NAV") per share total return;
- Share price total return;
- Discount/premium of share price to NAV per share;
- Ongoing charges ratio; and
- Performance against the MSCI World Total Return Index (in sterling) and the Company's peer group.

Please refer to the Glossary beginning on page 76 for definitions of these terms and an explanation of how they are calculated.

NAV per share total return
The Directors regard the Company's NAV per share total return as being the overall measure of value delivered to shareholders over the long-term. This reflects both the net asset value growth of the Company and any dividends paid to shareholders.

Share price total return
The Directors regard the Company's share price total return to be a key indicator of performance and monitor this closely. This reflects the return to the investor on mid-market prices, assuming any dividends paid are reinvested.

Share price discount/premium to NAV per share
The share price discount/premium to NAV per share is considered a key indicator of performance as it impacts the share price total return and can provide an indication of how investors view the Company's performance and its investment objective.

Ongoing charges ratio
The Board is conscious of expenses and aims to ensure there is a balance between good quality services and costs.

The ongoing charge ratio reflects the costs incurred directly by the Company and is calculated in accordance with the AIC guidance on ongoing charges.

MSCI World Total Return Index
Whilst the Company pursues an active, non-benchmarked total return strategy, the Board considers the NAV per share total return performance against the MSCI World Total Return Index measured on a net total return, sterling-adjusted basis.

The Board also monitors the Company's NAV return against its peer group and other relevant indices such as the Wilderhill New Energy Global Innovation Index (in sterling) and the AIC Environmental Sector. Details are given in the Chairman's Statement on page 4.

A full description of performance during the year under review and the portfolio is contained in the Portfolio Manager's Review commencing on page 10 of this report.

Principal Service Providers

The principal service providers to the Company are Frostrow Capital LLP ("Frostrow" or the "AIFM"), Menhaden Capital Management LLP ("MCM" or the "Portfolio Manager") and J.P. Morgan Europe Limited (the "Depositary"). Details of their key responsibilities and their contractual arrangements with the Company follow.

AIFM
The Board has appointed Frostrow as the designated AIFM for the Company on the terms and subject to the conditions of the alternative investment fund management agreement between the Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, inter alia, the following services:

- risk management services;
- marketing and shareholder services;
- administrative and secretarial services;
- advice and guidance in respect of corporate governance requirements;
- maintenance of the Company's accounting records;
- preparation and dispatch of the annual and half yearly reports and monthly factsheets; and
- ensuring compliance with applicable tax, legal and regulatory requirements.

The notice period on the AIFM Agreement is six months and termination can be initiated by either party.

AIFM Fee
Under the terms of the AIFM Agreement, Frostrow receives a periodic fee equal to 0.225% per annum of the Company's net assets up to £150 million, 0.220% per annum of the net assets in excess of £150 million and up to £500 million, and 0.175% per annum of the net assets in excess of £500 million.

Business Review
continued

Portfolio Manager
MCM is responsible for the management of the Company's portfolio of investments under a delegation agreement between MCM, the Company and Frostrow (the "Portfolio Management Agreement"). Under the terms of the Portfolio Management Agreement, MCM provides, *inter alia*, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which cash should be invested, divested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Company in relation to trends, market movements and other matters which may affect the investment objective and policy of the Company.

Portfolio Management Fee
MCM receives a periodic fee equal to 1.25% of the Company's net assets up to £150 million and 1.00% of the Company's net assets in excess of £150 million.

Performance Fee
Dependent on the level of the long-term performance of the Company, MCM is entitled to a performance fee.

In respect of a given three year performance period, a performance fee may be payable equal to 10% of the amount, if any, by which the Company's adjusted NAV at the end of that performance period exceeds the higher of (a) a compounding hurdle on the gross proceeds of the IPO of 5% per annum; and (b) a high watermark*. The performance fee is subject to a cap in each performance period of an amount equal to the aggregate of 1.5% of the weighted average NAV in each year (or part year, as applicable) of that performance period.

**see Glossary for further details*

Depositary
The Company has appointed J.P. Morgan Europe Limited as its Depositary in accordance with the AIFMD on the terms and subject to the conditions of an agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"). The Depositary provides the following services, inter alia, under its agreement with the Company:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions; and
- foreign exchange services.

The Depositary must take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, the AIFMD and the Company's Articles of Association.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £40,000 or 0.175% of the net assets of the Company up to £150 million, 0.15% of the net assets in excess of £150 million and up to £300 million, 0.1% of the net assets in excess of £300 million and up to £500 million and 0.05% of the net assets in excess of £500 million. In addition, the Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company.

The Depositary has delegated the custody and safekeeping of the Company's assets to JPMorgan Chase Bank N.A., London branch (the "Custodian").

The notice period on the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Evaluation of the AIFM and the Portfolio Manager
The performance of the AIFM and the Portfolio Manager is reviewed continuously by the Board and the Company's Management Engagement Committee (the "MEC") with a formal evaluation process being undertaken each year. As part of this process, the Board monitors the services provided by the AIFM and the Portfolio Manager and receives regular reports from them. The MEC reviewed the appropriateness of the appointment of the AIFM and the Portfolio Manager in November 2018 with a recommendation being made to the Board.

The Board believes the continuing appointment of the AIFM and the Portfolio Manager, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, inter alia, the following:

- the quality of the service provided and the quality and depth of experience of the company management, company secretarial, administrative and marketing team that the AIFM allocates to the management of the Company; and
- the quality of service provided by the Portfolio Manager to the management of the portfolio; and the level of performance in the portfolio in absolute terms and by reference to the MSCI World Total Return Index and other relevant indices.

Principal Risks and Uncertainties

In fulfilling its oversight and risk management responsibilities the Board maintains a framework of key risks which affect the Company and the related internal controls designed to enable the Directors to manage/mitigate these risks as appropriate. The Directors 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.

The principal risks can be categorised under the following broad headings:

- investment risk;
- financial risk;
- operational risks (including accounting, cyber security, compliance and regulatory risks); and
- shareholder relations and share price performance risk.

Further information on the internal controls and the risk management framework can be found below. The following sections detail the risks the Board considers to be the most significant to the Company under these headings.

Investment Risk

The Board recognises that investment risk is the most significant risk to which the Company is exposed through investing in quoted and unquoted securities, both in the UK and overseas. As a result, it is exposed to the risk of changes in asset prices and foreign exchange rates. Investment risk is comprised of two main aspects: market risk and concentration risk.

Market risk is the risk that the value of investments will change due to the overall performance of financial markets or macro-economic factors. It cannot be eliminated through diversification, though it can be potentially reduced through hedging. The Company's policy on hedging is set out on page 7.

Concentration risk is the risk that the value of an investment or a small number of similar investments changes due to factors specific to them or the sector in which they operate. This type of risk can be reduced through diversification of the portfolio. The Board have set diversification requirements relating to both individual investments and asset allocation, within which the investment portfolio is managed, but investors should be aware that the Company expects to invest in a relatively concentrated portfolio of securities. The Company is therefore exposed to the potentially higher volatility arising from a concentrated portfolio and risks specific to the sectors in which it invests, such as global energy and commodity prices or withdrawal of government subsidies for renewable energy.

To manage investment risk the Board has appointed the AIFM and the Portfolio Manager to manage the Company within the remit of the investment objective and policy, set out on pages 6 and 7. Compliance with the investment objective and policy is monitored daily by the AIFM and reported to the Board on a monthly basis.

Regular reports are received from the AIFM and the Portfolio Manager on stock selection and asset allocation, and they report at each Board meeting on the portfolio and performance of the Company, including the rationale for stock selection decisions, the make-up of the portfolio, potential new holdings and the investment strategy.

Financial Risk

In addition to market and concentration risk, discussed above, the Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets.

The most significant counterparty to which the Company is exposed is J.P. Morgan Europe Limited, the Depositary,

Business Review
continued

which is responsible for the safekeeping of the Company's custodial assets.

Credit risk is managed by the Board through:

- reviewing the arrangements with, and services provided by, the Depositary to ensure that the security of the Company's custodial assets is being maintained;
- reviewing the Portfolio Manager's approved list of counterparties, the Company's use of those counterparties and the process for monitoring and adding to the approved counterparty list; and
- monitoring of counterparties, including reviewing their internal control reports and credit ratings, as appropriate.

Further information on the use of financial instruments and their risks, including credit risk, can be found in note 14 beginning on page 68.

Details of the work undertaken in regard to verifying ownership and the valuation of unquoted (non-custodial) assets is set out on page 42.

Operational Risk
The Company is an externally managed investment trust and as such has no employees or systems of its own. The Company is therefore dependent on its service providers, particularly the AIFM and the Portfolio Manager. It is exposed to the risk associated with the departure of a key member of the AIFM or Portfolio Manager, for whom there could be no guarantee of a suitable replacement being found, and a disruption to, or a failure of, its service providers' systems, which could lead to a failure to comply with applicable law and regulations resulting in reputational damage and/or financial loss to the Company.

To manage these risks the Board:

- monitors on a regular basis the performance of the AIFM and the Portfolio Manager, including developments within their teams;
- receives a monthly compliance report from Frostrow, which includes, inter alia, details of compliance with applicable laws and regulations;
- reviews internal control reports and key policies, including measures taken to mitigate cyber risks and the disaster recovery procedures of its service providers;
- maintains a risk matrix with details of risks to which the Company is exposed, the controls relied on to manage those risks and the frequency of the controls operation; and
- receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes.

The Board has considered whether the UK's exit from the European Union ('Brexit') poses a discrete risk to the Company. While movements in exchange rates can affect the Company's net asset value, and sharp or unexpected changes in investor sentiment, or tax and regulatory changes, can lead to short term selling pressure on the Company's shares, the Board believes that Brexit is unlikely to affect the Company's business model or whether the Company's shares trade at a premium or discount to the net asset value per share over the longer term. However, Brexit may have an adverse impact on some of the Company's portfolio companies which have an exposure to the UK and/or European markets, both in terms of their operations and the manner in which their distributions are treated for tax purposes. The Board, the AIFM and the Portfolio Manager will continue to monitor developments as they occur.

Shareholder Relations and Share Price Performance Risk
The Company is also exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company may underperform resulting in the Company becoming unattractive to investors and a widening of the share price discount to NAV per share.

In managing this risk the Board:

- reviews the Company's investment objective in relation to the market, economic conditions and the operation of the Company's peers;
- discusses at each Board meeting the Company's future development and strategy;
- reviews an analysis of the shareholder register and reports from the Company's corporate stockbroker at each Board meeting; and

- actively seeks to promote the Company to current and potential investors.

Company promotional activities have been delegated to Frostrow, who report to the Board, on a quarterly basis, on these activities.

Viability Statement

The Directors have carefully assessed the Company's current position and prospects as described in the Chairman's Statement and the Portfolio Manager's Review, as well as the Principal Risks and Uncertainties outlined on pages 19 to 21 and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

The particular factors the Directors have considered in assessing the prospects of the Company, its ability to liquidate its portfolio, and in selecting a suitable period for this assessment are as follows:

- the Board and the Portfolio Manager will continue to adopt a long-term view when making investments. When making a new investment the anticipated holding period can be five years or more.
- the portfolio includes investments traded on major international stock exchanges and there is a spread of investments by size of company. It is estimated that approximately 45% of the portfolio could be liquidated, in normal market conditions, within seven trading days;
- the Company's expenses are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position;
- the Company has no employees, only non-executive Directors, and consequently does not have employment related liabilities or responsibilities; and
- the Company will offer its shareholders a continuation vote at the AGM in 2020.

The Company is intended to operate over the long-term; however due to the limitations and uncertainties inherent in predicting market conditions the Directors have determined that five years is the longest period for which it is reasonable to make this assessment.

In carrying out their assessment, the Directors made the following assumptions:

- investors will wish to continue to have exposure to the type of companies that the Company invests in, namely those companies that deliver or benefit from the efficient use of energy and resources;
- the performance of the Company will be satisfactory;
- the threats to the Company's solvency or liquidity incorporated in the Principal Risks will be managed or mitigated as outlined on pages 68 to 72; and
- the majority of shareholders will vote in favour of the continuation of the Company in 2020.

Based on the results of this review, the Directors have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Company Promotion

The aim of the Company's promotional activities is to encourage demand for the Company's shares. The Company has appointed Frostrow to provide marketing services in the belief that a well-marketed company is more likely to grow over time, is more likely to have a diverse and stable shareholder register and be more likely to trade at a superior rating to its peers.

Frostrow looks to promote the Company in the following ways:

Engaging regularly with institutional investors, discretionary wealth managers and a range of execution-only platforms:
Frostrow regularly meets with institutional investors, discretionary wealth managers and execution-only platform providers;

Making Company information more accessible:
Frostrow works to raise the profile of the Company by targeting key groups within the investment community, holding annual investment seminars, overseeing PR output and managing the Company's website and wider digital offering, including webcasts and social media. Frostrow also manages the investor database and produces all key corporate documents, distributes monthly factsheets, annual reports and updates from the Portfolio Manager on portfolio and market developments; and

Business Review
continued

Monitoring market activity, acting as a link between the Company, shareholders and other stakeholders:
Frostrow maintains regular contact with sector broker analysts and other research and data providers, and provides the Board with up-to-date and accurate information on the latest shareholder and market developments.

In addition the Board has appointed Kepler Partners LLP to produce and distribute market research on the Company.

Board Diversity

The Board strongly supports the principle of boardroom diversity, of which gender is one important aspect, and the recommendations of Lord Davies' review. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit against objective criteria, including diversity. The Board currently comprises one woman and three men, meeting Lord Davies' original recommendation.

Social, Human Rights and Environmental Matters

The Company is an externally-managed investment trust within the AIC Environmental Sector and invests in companies and markets which deliver or benefit from the more efficient use of energy or resources. It does not have any employees or premises, nor does it undertake any manufacturing or other operations. All its functions are outsourced to third party service providers and therefore the Company does not have any employee or direct human rights issues, nor does it have any direct, material environmental impact.

As an investment company, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Company falls outside the scope of the Modern Slavery Act 2015. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

The Board believes that the integration of financially material environmental, social and governance ("ESG") issues into investment decision-making can reduce risk and enhance returns. In addition, the on-going engagement and dialogue with investee companies, including through proxy voting, are key parts of an asset stewardship role. Accordingly, the Directors encourage the Portfolio Manager to ensure the Company's investments adhere to best practice in the management of ESG issues, and encourage them to have due regard to the UN Global Compact and UN Principles of Responsible Investment. The Portfolio Manager's statement of compliance with the Financial Reporting Council UK Stewardship Code is available at www.frc.org.uk. The Board has reviewed this statement as well as the proxy voting decisions made on the Company's behalf.

The Company produces an annual impact report setting out the environmental purpose of the Company and the impact it has, or intends to deliver. The report is included within this Annual Report on pages 23 to 27 and is published as a separate document on www.menhaden.com.

Performance and Future Developments

An outline of performance, investment activity and strategy, market background during the year and the future outlook, is provided in the Chairman's Statement beginning on page 4 and the Portfolio Manager's Review on pages 10 to 13.

The Portfolio Manager believes that companies that supply products and services that help to conserve scarce resources, reduce negative environmental impacts and improve resource efficiency are likely to enjoy faster growing end markets. The Directors continue to believe that environmental and resource-efficiency solutions together with the Portfolio Manager's investment strategy should provide good returns for the long-term investor.

It is expected that the Company's strategy will remain unchanged in the coming year.

A continuation vote will be put to shareholders at the AGM to be held in 2020 and every five years thereafter.

This Strategic Report on pages 2 to 27 has been signed for and on behalf of the Board.

Sir Ian Cheshire
Chairman
1 April 2019

Impact Report

A Resource Efficient Route to Returns

As a publicly-listed investment trust, Menhaden's core aim is to generate long-term profits for shareholders. To achieve this, the Company looks to invest in high quality and predictable businesses which can deliver sustainable returns.

The Portfolio Manager uses a fundamental, research-oriented approach to identify potential investee companies. Their investment process includes an assessment of resource efficiency. This covers topics such as product re-design, reducing raw/waste materials and emissions, product re-cycling, re-use, or re-purposing, and the extent of environmental disclosures and reporting. This approach helps Menhaden make a positive impact on society and the environment.

As part of this approach the Board strongly believes that the communication of the environmental metrics of the portfolio, alongside the Company's financial performance is of significant value to the shareholders. That is why in this Impact Report Menhaden has attempted to quantify and report on, to the extent possible, the positive impacts of its portfolio. This is the third year in which Menhaden has reported on impact and this report reflects this three-year period as well as for 2018.

A Thematic Portfolio

The Portfolio Manager has consistently organised the Company's portfolio around four investment themes: i) clean energy production; ii) sustainable transport; iii) resource and energy efficiency; and iv) water and waste management.

Clean energy

A total of six clean energy companies generated approximately 54,000 MWh of electricity in 2018. These include investments such as X-ELIO, a global leader in renewable energy, whose total clean energy generation increased by 30% on the previous year.

Sustainable transport

The additions of rail firms to the sustainable transport holdings has contributed to a significant increase in total fuel savings and emissions avoided, compared to other forms of transport. Over five million litres of fuel have been saved this year by the three holdings in this theme.

Resource and energy efficiency

This theme covers a wide range of companies that have created energy efficiencies or emission reductions through their products or services. One of Menhaden's new allocations in 2018 was Ocean Wilsons Holding, a company with a strong set of initiatives to reduce internal water consumption.

Waste & water management

Two companies were added in this theme in 2018. These were US-based Waste Management and NJS, a small Japanese engineering consulting firm. Through its business activities Waste Management diverted nearly 14 million tonnes of waste from landfill. The company has reported a total 54 million tonnes of avoided CO_2 equivalent from recycling materials and converting waste-to-energy.

Our Impact in 2018

Each year Menhaden estimates the total greenhouse gas emissions, water and waste levels saved through its investee firms. The assessment is made across the scope of Menhaden's listed portfolio companies and including its largest private holding X-ELIO. All calculations are based on the proportion that Menhaden holds of each entity as of 31 December 2018 and is based on best estimates using publicly disclosed data. A full account of the methodology is available in the technical annex online.

Menhaden's share of its portfolio holdings in 2018[1] helped generate over 54,000 MWh of clean electricity, equivalent to powering over 14,000 houses for a year and helped avoid over 40,000 tonnes of greenhouse gases being emitted to the atmosphere – equivalent to taking 27,000 cars off the road.

[1] Does not include NJS for whom limited sustainability data was available. For a full explanation of our impact methodology please see Appendix www.menhaden.com.

Impact Report
continued

Impact reporting is an evolving practice and the Company acknowledges that some of the methods and data expressed here tell only a partial picture. The Company recognises that some of our holdings, by the nature of their business, do intrinsically have some negative environmental impacts too. However, we hope that this data demonstrates that investing in companies and projects that take environmental, social and governance (ESG) factors into account can be an approach that benefits both profits and the planet.

A Move Towards Solid Returns

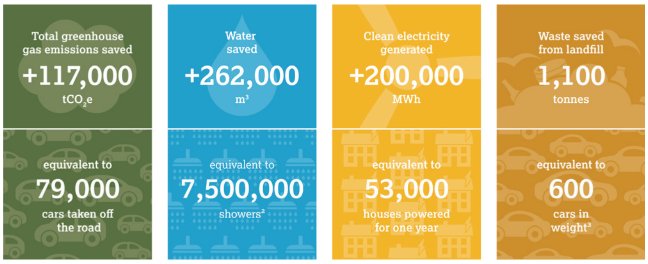
In this reporting period the investment strategy of the Portfolio Manager has been one characterised by a move towards sustainable returns for the long run. This is reflected in the Company's approach to impact too.

Hence, as well as investments in potentially high-growth, high-impact entities such as Calvin Capital, an asset investment company which built its foundations on the UK smart meter roll out, the Company has also allocated capital to providers of the large-scale infrastructure required for a low carbon economy. For example, new investments this year include those in rail companies Union Pacific and Canadian Pacific and in Brazilian maritime services provider Oceans Wilson. Shipping offers the lowest quantity of carbon dioxide (CO_2) emissions on a per unit basis compared to other transport, and railroads provide the most resource efficient means of land transportation.

The Company's investment in Alphabet is also a stake in the future clean energy market. Google, for whom Alphabet is the parent company, is the world's largest corporate buyer of renewable power, with their commitments reaching 2.6 gigawatts (2,600 megawatts) of wind and solar energy.

Three Years of Reporting Impact

Since 2016 Menhaden has calculated an annual estimate of the positive impacts of its share of its portfolio holdings against four key criteria: greenhouse gas (GHG) emissions saved, clean electricity generated, water saved and waste diverted from landfill. After taking into account changes to the portfolio companies and methods for calculating the impacts of different companies, our best estimate of our impact over a three-year period is demonstrated in the following graphic:



Sustainable Development Goals

Menhaden is a supporter of the UN Sustainable Development Goals (SDGs) and contributes to the challenge of achieving them through many of its portfolio companies. We consider our four investment themes contribute to at least six SDGs as follows:

Clean Energy Production

Australian wind and solar developer Infigen Energy has been one of the driving forces behind the nation's shift from a coal powerhouse to a global leader in renewable energy generation. In 2018, the firm generated more than 1,549 GWh of clean energy[2].

Renewable energy holdings such as X-ELIO and Brookfield Renewable Partners make an important contribution to ensuring the economy aligns with the Paris Agreement commitment to keep global warming below 2ºC.

Resource and Energy Efficiency

Waste Management's recycling and repurposing solutions demonstrate the integral role the circular economy can play in diverting waste from landfills. The company has reported a total of 54 million tonnes of avoided CO_2-equivalent (CO_2e) from recycling materials and converting waste-to-energy[3].

Sustainable Transport

Freight companies Union Pacific and Canadian Pacific Railway are reducing greenhouse gas emissions for the transportation of goods. Moving freight by rail instead of by truck cuts GHG emissions by 75%[4].

Water and Waste Management

Environmental engineering firm NJS treats wastewater at its sewage stations, restoring the water supply, protecting the planet from toxins, and helping to combat water scarcity.

Maritime services firm Ocean Wilsons Holdings protects ecosystems by reducing pollution and toxins through streamlined supply chains.

[2] https://www.infigenenergy.com/wp-content/uploads/2018/08/FY18-Results-Presentation.pdf
[3] http://sustainability.wm.com/operations/carbon-footprint.php
[4] https://www.aar.org/issue/freight-rail-and-the-environment/

Menhaden portfolio impacts around the world

A diversified, multi-regional approach to investing means the positive environmental impacts of Menhaden's portfolio companies are felt around the globe.

1. Canada

Canadian Pacific Railway has improved fuel efficiency by 16% since 2012 through upgraded infrastructure, technology and fuel practices. The firm has sent close to 750,000 scrap wood rail ties to power generation facilities for energy recovery[5].

2. USA

Waste Management's use of single-stream recycling, where all recyclables are mixed together in one collection bin, has on average led to 40% more recyclable materials collected. The company now boasts 50 single-stream facilities and has purchased more than one million tons of additional recycling capacity[6].

3. Peru

Solar provider **X-ELIO** has developed the 21 MW Tacna Solar Park and the 20 MW Panamericana Solar Park in Peru. The two solar farms combined avoid more than 34,000 tonnes of CO_2/year, while supplying nearly 30,000 households with clean energy[7,8].

4. Uruguay

Renewable energy developer **Terraform Power** has played a central role in the diversification of Uruguay's energy mix with the installation of its Carapé I and II wind farms. The two wind projects generate more than 360,000 MWh of renewable energy annually, enough to meet the electricity needs of over 158,000 Uruguayans[9].

5. UK

Asset investment company **Calvin Capital** is helping the UK's largest energy suppliers to meet the government's commitment to offer smart meters to all homes and small businesses by the end of 2020, which is expected to deliver billions in total savings through reduced energy use. To date, Calvin Capital has funded approximately 3.5 million smart meters[10].

6. France

Aircraft component manufacturer **Safran's** LEAP engine has set the gold standard for the aviation industry. The engine reduces fuel consumption by 15% and nitrogen oxide emissions by 50% compared to current industry standard engines[11].

[5] https://www.cpr.ca/en/about-cp/corporate-sustainability
[6] http://www.wm.com/thinkgreen/how-we-thinkgreen.jsp
[7] https://x-elio.com/project/tacna-solar-2/
[8] https://x-elio.com/project/panamericana-solar-2/
[9] https://www.iadb.org/en/news/news-releases/2013-10-31/project-to-increase-wind-power-generation-in-uruguay%2C10620.html
[10] https://www.calvincapital.com/smart-metering
[11] https://www.safran-group.com/media/20110628_leap-greener-more-efficient

7. China

Manufactured in Harbin in China, **Airbus**' A350 XWB airliner uses state-of-the-art engineering aerodynamics and advanced technologies to record a 25% reduction in CO_2 emissions and nitrogen oxide emissions that are 31% lower than the International Civil Aviation Organization's industry standard[12].

8. Taiwan

Alphabet, through its subsidiary Google, is the world's largest corporate buyer of renewable power. At its data centres, such as the one in Changhua County Taiwan, the firm uses night time cooling and thermal energy storage systems to make them 50% more energy efficient than the industry average.[13]

9. Australia

Windfarm developer **Infigen Energy** generates more than 1,549 GWh of clean energy annually through its seven wind farms across Australia. All of Infigen's generators are 100% Greenpower accredited[14] and it is a member of the We Mean Business Coalition and the Clean Energy Council.

[12] https://www.airbus.com/company/responsibility-sustainability/minimising-environmental-impact.html
[13] https://www.google.com/about/datacenters/inside/locations/changhua-county/
[14] https://www.infigenenergy.com/wp-content/uploads/2018/08/FY18-Results-Presentation.pdf

Board of Directors

Sir Ian Cheshire (Chairman)

Sir Ian Cheshire was the Group Chief Executive of Kingfisher plc from January 2008 until February 2015. Prior to that he was Chief Executive of B&Q Plc from June 2005. Before joining Kingfisher in 1998 he worked for a number of retail businesses including Sears plc where he was Group Commercial Director.

Sir Ian is the Chairman of Maisons du Monde and Barclays UK, the ring-fenced retail bank. He is the Government lead non-executive director and a non-executive director of Barclays PLC and Barclays Bank PLC.

In addition, Sir Ian is Chair of the RSA Commission on food, farming and the countryside and President of the Business Disability Forum.

Sir Ian was knighted in the 2014 New Year Honours for services to Business, Sustainability and the Environment.

Duncan Budge

Duncan Budge is Chairman of Dunedin Enterprise Investment Trust plc and Artemis Alpha Trust plc, and a non-executive director of Lazard World Trust Fund (SICAF), Lowland Investment Company plc, Biopharma Credit plc and Asset Value Investors Ltd.

He was previously a director of J. Rothschild Capital Management from 1988 to 2012 and a director and chief operating officer of RIT Capital Partners plc from 1995 to 2011. Between 1979 and 1985 he was with Lazard Brothers & Co. Ltd.

Meeting Attendance

The number of scheduled meetings of the Board and its committees held during the year and each Director's attendance, is shown below:

Type and number of meetings held in 2018	Board (4)	Audit Committee (3)	Management Engagement Committee (1)
Sir Ian Cheshire	4	N/A*	1
Duncan Budge	4	3	1
Emma Howard Boyd	4	3	1
Howard Pearce	4	3	1

In addition to the above, a number of *ad hoc* Board and committee meetings were held to consider matters such as the approval of regulatory announcements.

*As Chairman of the Board, Sir Ian Cheshire is not a member of the Audit Committee.

Emma Howard Boyd

Emma Howard Boyd is the Chair of the Environment Agency, an ex-officio board member of the Department for Environment, Food & Rural Affairs, and has recently been appointed as the UK Commissioner to the Global Commission on Adaptation.

Emma serves on a number of boards and advisory committees including the Environment Agency Pension Fund Investment Committee, The Prince's Accounting for Sustainability Project, ShareAction, the Green Finance Institute and the 30% Club.

She has worked in financial services for over 25 years, in corporate finance and fund management. As Director of Stewardship at Jupiter Asset Management until July 2014, Emma was integral to the development of their expertise in the corporate governance and sustainability fields. This work included research and analysis on companies' environmental, social and governance performance, engaging with companies at board level and public policy engagement.

Howard Pearce

Howard Pearce is the founder of HowESG Ltd, a specialist environmental, asset stewardship, and corporate governance consultancy business. His non-executive roles include independent Chair of the Bank of Montreal Global Asset Management (EMEA) Responsible Investment Advisory Council, independent Chair of the Boards of the Avon and Wiltshire Pension Funds, and Non-Executive Director of Response Global Media Limited, the publishers of Responsible-Investor.com (ESG and sustainable finance).

Previously he was a Board member and Chair of the Audit Committee of Cowes Harbour Commission, and a Trustee and Chair of the Investment and Audit Committees of the NHS 'Above and Beyond' charity. Between 2003 and 2013 Howard was the Head of the Environment Agency pension fund and a member of its Pensions and Investment Committee. Under his leadership, the fund won over 30 awards in the UK, Europe and globally for its financially and environmentally responsible investment, best practice fund governance, public reporting and e-communications.

Directors' Interests

The Directors' beneficial interests in the Company's shares, together with those of their families, are set out below.

	Ordinary Shares of 1p each	
	31 December 2018	31 December 2017
Sir Ian Cheshire	115,000	115,000
Duncan Budge	10,000	10,000
Emma Howard Boyd	18,000	18,000
Howard Pearce	25,000	15,000
Total	**168,000**	**158,000**

No changes have been notified to the date of this report.

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 December 2018. Disclosures relating to performance, future developments and risk management can be found within the Strategic Report on pages 2 to 27.

Business and Status of the Company

The Company is registered as a public limited company in England and Wales (registered number 09242421) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). Its shares are traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has received approval from HM Revenue & Customs as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company continues to direct its affairs so as to qualify for such approval.

Company Name

On 14 December 2018, the Company's name was changed from Menhaden Capital PLC to Menhaden PLC.

Continuation of the Company

In accordance with the Company's Articles of Association, shareholders will have an opportunity to vote on the continuation of the Company at the 2020 Annual General Meeting and every five years thereafter.

Results and Dividends

The results attributable to shareholders for the year are shown on page 55. In 2018 the Company made a revenue profit and revenue losses from previous years have now been reversed. Under investment trust rules regarding distributable income, a final dividend must be paid to allow the Company to comply with those rules.

Subject to shareholder approval at the forthcoming AGM, a final dividend of 0.7p per share will be paid on 5 June 2019 to shareholders on the register on 3 May 2019. The associated ex-dividend date is 2 May 2019.

Alternative Performance Measures

The Financial Statements (on pages 55 to 73) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 2 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on page 16.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on pages 76 and 77.

Substantial Interests in Share Capital

The Company was aware of the following substantial interests in the voting rights of the Company as at 28 February 2018, the latest practicable date before publication of the Annual Report.

	28 February 2019		31 December 2018	
Shareholder	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital
Cavenham Private Equity	13,246,268	16.56	13,246,268	16.56
Generali Versicherung	6,000,000	7.50	6,000,000	7.50
Kendall Family Investments	5,000,000	6.25	5,000,000	6.25
Aachen Muenchener Versicherung	4,000,000	5.00	4,000,000	5.00
Santino Global Assets	3,000,000	3.75	3,000,000	3.75
Laxey Partners	–	–	2,798,000	3.50
Rathbones	2,570,000	3.21	2,610,305	3.26
The Grantham Foundation	2,600,000	3.25	2,600,000	3.25
Ravenscroft	2,458,500	3.07	2,568,500	3.21

As at 31 December 2018 and to the date of this report, the Company had 80,000,001 Ordinary Shares in issue.

Capital Structure

The Company's capital structure at the end of the year under review and to the date of this report was comprised of 80,000,001 Ordinary Shares of 1p nominal value each.

The voting rights of the Ordinary Shares on a poll are one vote for each share held.

No shares were issued or repurchased during the year and to the date of this report.

There are no:

- restrictions on transfer of, or in respect of the voting or dividend rights of, the Company's Ordinary Shares;
- agreements, known to the Company, between holders of securities regarding the transfer of Ordinary Shares; or
- special rights with regard to control of the Company attaching to the Ordinary Shares.

At the end of the year under review and to the date of this report, the Directors had shareholder authority to issue a further 919,999,999 Ordinary Shares and to repurchase no more than 14.99% of the Company's issued share capital per annum. These authorities will expire on 1 July 2020 unless previously revoked, varied or renewed by the Company in a general meeting.

Going Concern

The content of the investment portfolio, trading activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Directors, having considered a detailed assessment, are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as a significant proportion of the Company's holdings are readily realisable and, accordingly, the Company has adequate financial resources to continue in operation for at least the next 12 months.

Directors' Report

continued

Beneficial Owners of Shares – Information Rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar or to the Company directly.

Greenhouse Gas Emissions

As the Board has engaged external firms to undertake the investment management, corporate secretarial and custodial activities of the Company, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Company produces an annual impact report which is included within the Annual Report on pages 23 to 27 and also published separately on www.menhaden.com. The impact report provides further detail on the environmental goals and impact of the Company.

Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year ended 31 December 2018. It is intended that this policy will continue for the year ending 31 December 2019 and subsequent years.

Directors' Indemnities

During the year under review and to the date of this report, indemnities were in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Other Statutory Information

The following information is disclosed in accordance with the Companies Act 2006:

- the rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.
- subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special powers given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors. The Directors' powers to issue and buy back shares, in force at the end of the year, are recorded on page 31.
- there are no agreements:
  - (i) to which the Company is a party that might affect its control following a takeover bid; and/or
  - (ii) between the Company and its directors concerning compensation for loss of office.

Listing Rule 9.8.4

The Directors confirm that there are no disclosures to be made in regard of Listing Rule 9.8.4.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Company's registrar, Link Asset Services, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

Political Donations

The Company has not made, and does not intend to make, any political donations.

Disclosure of Information to Auditors

The Directors at the time of approving the Directors' Report are listed on pages 28 and 29. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday, 29 May 2019 at 12 noon.

Explanatory notes to the proposed resolutions can be found on page 83.

The Board considers that the proposed resolutions are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as the Directors intend to do in respect of their own beneficial holdings.

By order of the Board

Frostrow Capital LLP
Company Secretary
1 April 2019

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable UK accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the FCA.

The financial statements are published on the Company's website www.menhaden.com and via Frostrow's website www.frostrow.com. The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of Frostrow. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Responsibility Statement of the Directors in respect of the Annual Report

The Directors, whose details can be found on pages 28 and 29, confirm to the best of their knowledge that:

- the financial statements within this Annual Report, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 December 2018; and
- the Chairman's Statement, Strategic Report and the Directors' Report include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules.

The Directors consider that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Company's position, performance, business model and strategy.

On behalf of the Board

Sir Ian Cheshire
Chairman
1 April 2019

Corporate Governance Statement

The Board has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance (the “AIC Code”) by reference to the AIC Corporate Governance Guide for Investment Companies (the “AIC Guide”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2016 UK Corporate Governance Code (the “UK Code”), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders and the Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the UK Listing Rules.

During 2018, a new UK Corporate Governance Code was published by the Financial Reporting Council, which applies to companies with financial years beginning on or after 1 January 2019. A corresponding AIC Code of Corporate Governance was published at the beginning of February 2019, also applying to companies with financial years beginning on or after 1 January 2019. The Company will report against the principles and recommendations of the new AIC Code in its next annual report.

The AIC Code and the AIC Guide can be viewed on the AIC’s website www.theaic.co.uk and the UK Code can be viewed on the Financial Reporting Council website www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the 2016 AIC Code and the relevant provisions of the UK Code, except as set out below:

The UK Code includes certain provisions relating to:

- the role of the chief executive;
- executive directors’ remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. In particular, all of the Company’s day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore the Company has not reported further in respect of these provisions.

Corporate Governance Statement

continued

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an externally managed investment company, it has no employees and outsources portfolio management services to Menhaden Capital Management LLP and risk management, company management, company secretarial, administrative and marketing services to Frostrow Capital LLP.

The Board

Chairman – Sir Ian Cheshire

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:

- to provide leadership and set strategy within a framework of prudent effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman – Sir Ian Cheshire

All Directors

Key roles and responsibilities:

- to review regularly the contracts, the performance and the remuneration of the Company's principal service providers.

Audit Committee

Chairman – Howard Pearce

Duncan Budge, Emma Howard Boyd

Key roles and responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to review the performance of the Company's external Auditors.

Copies of the full terms of reference, which clearly define the responsibilities of each committee can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found on the Company's website at www.menhaden.com.

The Directors have decided that, given the size of the Board, it is unnecessary to form separate remuneration and nomination committees; the duties that would fall to those committees are carried out by the Board as a whole.

Board of Directors

Directors' Independence

The Board consists of four non-executive Directors, each of whom is independent of Frostrow and Menhaden Capital Management LLP ("MCM"). No member of the Board has been an employee of the Company, Frostrow, MCM or any of its service providers. Accordingly, the Board considers that all the Directors are independent and there are no relationships or circumstances which are likely to affect or could appear to affect their judgement.

Board Evaluation

During the course of 2018 the performance of the Board, its committees and individual Directors (including each Director's independence and ability to devote sufficient time to their role) was evaluated through a formal assessment process led by the Chairman.

The Chairman is satisfied that the structure and operation of the Board continues to be effective and relevant and that there is a satisfactory mix of skills, experience, length of service and knowledge of the Company.

All Directors will submit themselves for annual re-election by shareholders. Following the evaluation process, the Board recommends that shareholders vote in favour of their re-election at the Annual General Meeting.

Policy on Director Tenure

The Board subscribes to the view expressed within the AIC Code that long-serving directors should not be prevented from forming part of an independent majority. It does not consider that a director's tenure necessarily reduces his/her ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors will be appointed with the expectation that they will serve for a minimum of three years, subject to shareholder approval.

Appointments to the Board

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next Annual General Meeting. When considering new appointments, the Board will seek to add persons with complementary skills or skills and experience which fill any gaps in the Board's knowledge and who can devote sufficient time to the Company to carry out their duties effectively. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates. The Board recognises the value of diversity in the composition of the Board and accordingly, the Board will ensure that a diverse group of candidates is considered should any vacancies arise. The Board's diversity policy is set out in more detail on page 22.

Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for the appointment of new Directors and on the recommendation for shareholders' approval for the Directors seeking re-election at the Annual General Meeting. The Chairman will not chair the meeting when the Board is dealing with the appointment of his successor.

Induction/Development

New appointees to the Board will be provided with a full induction programme. The programme will cover the Company's investment strategy, policies and practices. New directors will also be given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board committees, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. It was resolved at each Board meeting during the year under review that there were no direct or indirect interests of a Director that conflicted with the interests of the Company. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

Corporate Governance Statement

continued

Exercise of Voting Powers

The Board has delegated authority to MCM (as Portfolio Manager) to vote the shares owned by the Company that are held on its behalf by its Custodian.

The Board has instructed that the Portfolio Manager submit votes for such shares wherever possible and practicable. The Portfolio Manager may refer to the Board on any matters of a contentious nature.

Further details of the Company's voting record can be found in the Portfolio Manager's Stewardship Report on the Company's website www.menhaden.com.

Anti-Bribery and Corruption Policy

The Board has adopted a zero-tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit from themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.menhaden.com. The policy is reviewed regularly by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.menhaden.com. The policy is reviewed annually by the Audit Committee.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

The Company has also arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances. This was in force for the entire period under review and up to the date of this report.

Company Secretary

The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that the Board procedures are followed and that the Company complies with applicable rules and regulations. The Company Secretary is also responsible for ensuring good information flows between all parties.

Board Meetings and Relations with the Investment Manager

The Board is responsible for strategy and reviews the continued appropriateness of the Company's investment objective, strategy and investment restrictions at each meeting. The Board meets regularly throughout the year and representatives from Frostrow and MCM are in attendance at each Board meeting to address questions on specific matters and to seek approval for specific transactions which the AIFM is required to refer to the Board. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The primary focus at regular Board meetings is the review of key investment and financial data, revenue and expense projections, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues.

The Board reviews the discount or premium to net asset value per share of the Company's share price at each Board meeting and considers the effectiveness of the Company's marketing and communication strategies, as well as any recommendations on share buybacks and issuance.

The Board has reviewed the Portfolio Manager's Statement of Compliance with the UK Stewardship Code, which is available on the FRC website www.frc.org.uk.

Shareholder Communications

Shareholder Relations

Representatives of Frostrow and MCM regularly meet with institutional shareholders and private client asset managers to discuss strategy, to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting.

An analysis of the Company's shareholder register is provided to the Directors at each Board meeting. The Board receives marketing reports from Frostrow. The Board reviews and considers the marketing plans on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues.

Shareholder Communications

The Company aims to provide shareholders with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative annual and half yearly reports. This is supplemented by the monthly publication through the London Stock Exchange, of the net asset value of the Company's shares.

The Company's website (www.menhaden.com) is regularly updated with monthly fact sheets and provides useful information about the Company, including the Company's financial reports and announcements.

All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the AIFM, the Portfolio Manager, the Auditor, legal advisers and the Corporate Stockbroker, as appropriate.

The Board supports the principle that the AGM be used to communicate with all investors. It is the intention that all Directors will attend the AGM under the chairmanship of the Chairman of the Board. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the AIFM and the Portfolio Manager. The Portfolio Manager will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming AGM. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will also be published on the Company's website, www.menhaden.com.

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow.

Significant Holdings and Voting Rights

Details of the substantial interests in the Company's Shares, the voting rights of the shares and the Directors' authorities to issue and repurchase the Company's shares, are set out in the Directors' Report on pages 30 to 33.

Nominee Share Code

Where the Company's shares are held via a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meeting.

By order of the Board

Frostrow Capital LLP
Company Secretary
1 April 2019

Audit Committee Report

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2018. The Committee met three times during the year under review.

The role of the Committee is to ensure that shareholder interests are properly protected in relation to the application of financial reporting and internal control principles and to assess the effectiveness of the audit. The Committee's role and responsibilities are set out in full in its terms of reference which are available on request from the Company Secretary and can be seen on the Company's website (www.menhaden.com). A summary of the Committee's main responsibilities and how it has fulfilled them is set out below.

Composition

The Audit Committee comprises Howard Pearce (Chairman of the Committee), Duncan Budge and Emma Howard Boyd whose biographies are set out on pages 28 and 29. The Committee considers that each member has recent and relevant experience in accounting, auditing or financial reporting and that the Committee as a whole has experience relevant to the investment trust industry.

Responsibilities

The Committee's main responsibilities during the year under review were:

1. **To review the Company's annual and half-year reports.** In particular, the Audit Committee has considered whether the annual report was fair, balanced and understandable, allowing shareholders to easily assess the Company's strategy, business model, financial position and performance. This review also included scrutiny of the valuation of investments, accounting policies and other significant reporting matters.

2. **To review the risk management and internal control processes of the Company and its key service providers.** Further details are provided in the Internal Controls and Risk Management section on page 41.

3. **To recommend the appointment of the external Auditor, agreeing the scope of their work and their remuneration, and reviewing their independence.** During the year the nature and scope of the audit together with the audit plan were considered by the Committee. The Committee concluded that the appropriate areas of audit risk relevant to the Company had been identified and that there were suitable audit procedures in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements.

4. **To consider any non-audit work to be carried out by the Auditor.** The Audit Committee will consider the extent and nature of any non-audit work performed by the Auditor and seek assurance that such work does not impinge on their independence and is a cost effective way to operate.

5. **To consider the need for an internal audit function.** Since the Company delegates its day to day operations to third parties and has no employees, the Committee determined that there is no requirement for such a function. The Committee considers the need for such a function on an annual basis.

Meetings and Business

The following matters were dealt with at the Committee's meetings:

March 2018

- Review of the Committee's terms of reference;
- Review of the Company's annual results;
- Approval of the Annual Report, the Impact Report and unquoted investment valuations;
- Review of risk management, internal controls and compliance;
- Review of the outcome and effectiveness of the audit and any matters arising; and
- Review of the need for an internal audit function.

September 2018

- Review of the Company's non-audit services policy;
- Review of the Company's half yearly results;
- Approval of the Half Yearly Report and financial statements and unquoted investment valuations;
- Review of risk management, internal controls and compliance;
- Review and approval of formal audit tender guidelines; and
- Review of the Company's anti bribery and corruption policy and the measures put in place by the Company's service providers.

November 2018

- Review of the Auditor's plan and terms of engagement for the 2019 audit; and
- Review of risks, internal controls and compliance.

Performance Evaluation

The Committee reviewed the results of the annual evaluation of its performance at the November 2018 Board meeting. As part of the evaluation, the Committee reviewed the following:

- the composition of the Committee;
- the performance of the Committee Chairman;
- how the Committee had monitored compliance with corporate governance regulations;
- how the Committee had considered the quality and appropriateness of financial accounting and reporting;
- the Committee's review of significant risks and internal controls; and
- the Committee's assessment of the independence, competence and effectiveness of the Company's eternal Auditor.

It was concluded that the Committee was performing satisfactorily and there were no formal recommendations made to the Board.

Internal Controls and Risk Management

The Board has overall responsibility for risk management and for the review of the internal controls of the Company, undertaken in the context of its investment objective.

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 2 to 27.

The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in light of the following factors:

- the nature of the Company, with all management functions outsourced to third party service providers;
- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall investment objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

Against this background, a risk matrix has been developed which covers all key risks that the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and mitigating controls in place.

The Board has delegated to the Audit Committee responsibility for the review and maintenance of the risk matrix and it reviews, in detail, the risk matrix each time it meets, bearing in mind any changes to the Company, its environment or service providers since the last review. Any significant changes to the risk matrix are discussed with the whole Board. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified from the Committee's most recent risk review.

The Committee reviews internal controls reports from its principal service providers on an annual basis. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Audit Committee Report

continued

Significant Reporting Matters

The Committee considered the significant issues in respect of the Annual Report including the financial statements. The table below sets out the key areas of risk identified and also explains how these were addressed.

Significant risk	How the risk was addressed
Valuation, existence and ownership of investments, in particular unquoted investments	The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements beginning on page 59. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary. The Committee discussed with Frostrow and MCM the process by which the unquoted investments are valued, and ownership documented, including the reconciliation process with the Depositary. They also reviewed the valuation of the unquoted investments as at 31 December 2018, including the level of any discounts to net asset value applied to the unquoted valuations, to ensure that they were carried out in accordance with the accounting policy set out in note 1(b) on page 60. Having reviewed the valuations, the Committee confirmed that they were satisfied that the investments had been valued correctly.
Risk of revenue being misstated due to the improper recognition of revenue.	The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. In addition, the Committee reviewed the treatment of fixed income returns on debt securities.

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee has given this confirmation on the basis of its review of the whole document, underpinned by involvement in the planning for its preparation and review of the processes to assure the accuracy of factual content.

The Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. The financial statements can be found on pages 55 to 73.

The Audit Committee also reviewed the financial position and principal risks of the Company in connection with the Board's statement on the longer-term viability of the Company, which is set out on page 21 of the Strategic Report.

External Auditor

In addition to the reviews undertaken at Committee meetings, I met with Grant Thornton UK LLP ("Grant Thornton") on 6 March 2019 to discuss the outcome of the audit and the draft Annual Report. The Committee also met with Grant Thornton without Frostrow or the Portfolio Manager being present to discuss the outcome of the audit on 22 March 2019.

In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed:

- the senior audit personnel in the audit plan for the year;
- the Auditor's arrangements concerning any conflicts of interest; and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

In order to consider the effectiveness of the audit process, we reviewed:

- the Auditor's execution and fulfilment of the agreed audit plan and the audit partner's leadership of the audit team;
- the quality of the report arising from the audit itself and the communications from the Auditor; and
- feedback from Frostrow on the conduct of the audit.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Non-Audit Services

The Auditor did not carry out any non-audit work during the year. The Audit Committee will monitor the level of non-audit work carried out by the Auditor, if any, and seeks assurances from the Auditor that they maintain suitable policies and procedures ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis.

The Company operates on the basis whereby the provision of non-audit services by the Auditor is only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit.

Auditor's Reappointment

Grant Thornton have been the appointed external Auditor since the Company launched in 2015. Grant Thornton carried out the audit for the period ending 31 December 2015 and the years ended 31 December 2016, 2017 and 2018 and were considered independent by the Board.

Marcus Swales has been the audit partner for the past three years.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. The Company will put the external audit out to tender at least every 10 years and change auditor at least every 20 years. The Committee will, however, continue to consider annually the need to go to tender for audit quality or independence reasons and the Audit Committee has adopted formal audit tender guidelines to govern the audit tender process.

The Committee conducted a review of the performance of the Auditor during the audit period and concluded that performance was satisfactory and there were no grounds for change.

Grant Thornton have indicated their willingness to continue to act as Auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Howard Pearce
Chairman of the Audit Committee
1 April 2019

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. An ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders on pages 47 to 54.

The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of the Directors by reference to the activities and particular complexities of the Company and in comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

The Board as a whole considered the level of Directors' fees at their meeting in November 2018 and determined that it was appropriate to maintain them at their current levels for 2019.

The Directors are remunerated exclusively by fixed fees in cash and do not receive bonus payments or pension contributions from the Company, hold options to acquire shares in the Company, or other benefits.

All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as directors of the Company.

No advice from remuneration consultants was received during the period under review.

As noted in the Strategic Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer. The Company does not have employees. Therefore there is no CEO or employee information to disclose.

Single total figure of remuneration (audited)

Director	Date of appointment to the Board	2018 Fees	2018 Taxable expenses	2018 Total	2017 Fees	2017 Taxable expenses	2017 Total
Sir Ian Cheshire	3 October 2014	50,000	–	50,000	50,000	–	50,000
Duncan Budge	3 October 2014	40,000	–	40,000	40,000	–	40,000
Emma Howard Boyd	3 October 2014	40,000	–	40,000	40,000	–	40,000
Howard Pearce	3 October 2014	40,000	3,852	43,852	40,000	2,558	42,558
TOTAL		**170,000**	**3,852**	**173,852**	**170,000**	**2,558**	**172,558**

No payments have been made to any former directors. It is the Company's policy not to pay compensation upon leaving office for whatever reason. None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Directors' Interests in the Company's Shares (audited)

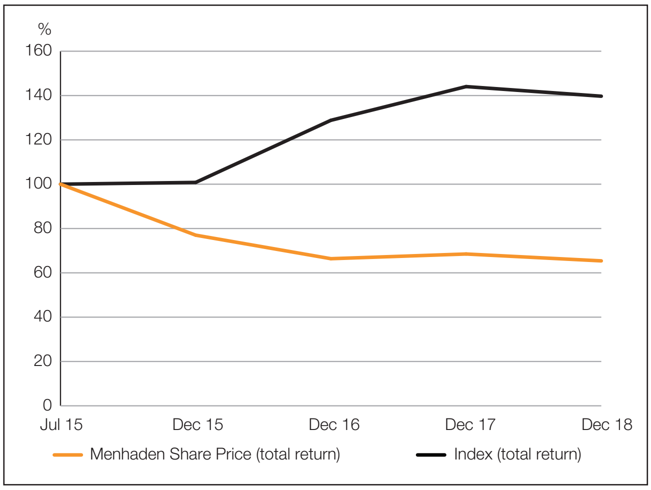
	Ordinary Shares of 1p each as at 31 Dec 2018	Ordinary Shares of 1p each as at 31 Dec 2017
Sir Ian Cheshire	115,000	115,000
Duncan Bridge	10,000	10,000
Emma Howard Boyd	18,000	18,000
Howard Pearce	25,000	15,000
Total	**168,000**	**158,000**

No changes have been notified to the date of this report.

The Company does not have share options or a share scheme, and does not operate a pension scheme. None of the Directors are required to own shares in the Company.

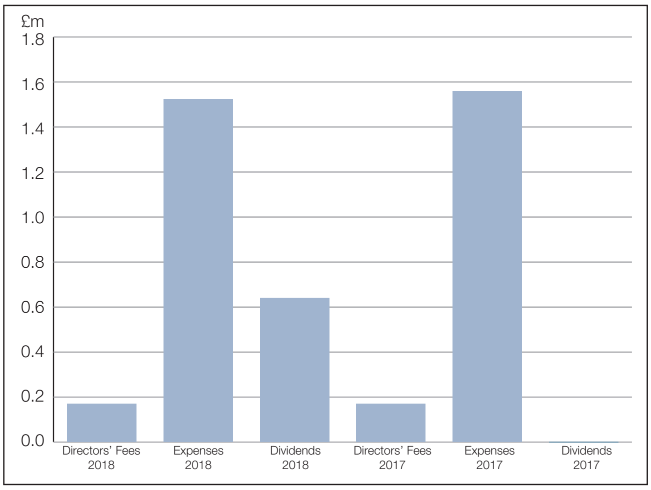
Performance

The graph below shows the total shareholder return of the Company since its launch on 31 July 2015 against the total return of the MSCI World Total Return Index.



Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of (proposed) dividend distribution and Company expenses for the years ended 31 December 2017 and 2018.



Statement of Voting at the AGM

At the Annual General Meeting held in May 2018 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

Votes cast for	Votes cast against	Votes withheld
33,946,523	0	0*
100%	0%	

*Votes withheld are not votes by law and are therefore not counted in the calculation of votes for or against a resolution.

The results in respect of the resolution to approve the Director's Remuneration Policy (at the AGM held in May 2016) were as follows:

Votes cast for	Votes cast against	Votes withheld
33,122,809	0	0*
100%	0%	

*Votes withheld are not votes by law and are therefore not counted in the calculation of votes for or against a resolution.

By order of the Board

Sir Ian Cheshire
Chairman
1 April 2019

Directors' Remuneration Policy

The Company's remuneration policy is that the remuneration of each Director should be commensurate with the duties, responsibilities and time commitment of each respective role and consistent with the requirement to attract and retain directors of appropriate quality and experience. The remuneration should also be comparable to that of investment trusts of similar size and structure.

Directors are remunerated in the form of fixed fees payable monthly in arrears. There are no long or short-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively.

The Directors' remuneration is determined within the limits set out in the Company's Articles of Association. The present limit is £500,000 in aggregate per annum.

It is the Board's intention that the remuneration policy will be considered by shareholders at the annual general meeting at least once every three years. If, however, the remuneration policy is varied, shareholder approval will be sought at the AGM following such variation. The Board will formally review the remuneration policy at least once a year to ensure that it remains appropriate.

This policy was last approved by shareholders at the AGM held in 2016. Accordingly, an ordinary resolution for the approval of this policy will next be considered by shareholders at the forthcoming Annual General Meeting to be held on 29 May 2019. It is intended that this policy will remain in place for the following financial year and subsequent financial periods.

No communications have been received from shareholders regarding Directors' remuneration. The Board will consider any comments received from shareholders on the remuneration policy.

This policy, together with the Directors' letters of appointment, may be inspected at the Company's registered office.

The current and projected Directors' fees for 2018 and 2019 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Fees (£) 2019	Total Fees (£) 2018
Sir Ian Cheshire	50,000	50,000
Duncan Budge	40,000	40,000
Howard Pearce	40,000	40,000
Emma Howard Boyd	40,000	40,000
	170,000	**170,000**

Any new director appointed to the Board will, under current remuneration levels, receive a fee of £25,000 per annum. Directors who serve on the Audit Committee receive an additional fee of £15,000 per annum. The Chairman receives an additional fee of £25,000 per annum.

All Directors are non-executive, appointed under the terms of letters of appointment and none has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election every three years thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Independent Auditor's Report to the Members of Menhaden PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Menhaden PLC (the 'Company') for the year ended 31 December 2018, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows 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 December 2018 and of its net return 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 in the UK, including the FRC's Ethical Standard as applied to public interest entities, 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 19 of the annual report, 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;
- the directors' statement, set out on page 31 of the annual report, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

Independent Auditor's Report
continued

- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 21 of the annual report, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £725,000, which represents 1% of the Company's net assets
- Key audit matters were identified as valuation, existence and ownership of unquoted and quoted investments, and completeness and occurrence of investment income
- Our audit approach was a risk based substantive audit focused on investments at the year end and investment income recognised during the year. There was no change in our approach from prior year

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Valuation, existence and ownership of unquoted and quoted investments

The Company's investment objective is to generate long-term shareholders returns, mainly in the form of capital growth.

This objective is pursued through a portfolio comprising of unquoted and quoted holdings.

As at the year end, the Company holds a small number of significant holdings in unquoted investments and number of quoted investments.

The investment portfolio at the year end had a carrying value of £66 million, of which £43 million of investments were listed on recognised stock exchanges.

As different valuation approaches are applied to the different types of investments, there are risks that the investment valuation recorded in the Statement of Financial Position may be misstated. Also, there is a risk that investments recorded might not exist or might not be owned by the Company.

We therefore identified valuation, existence and ownership of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Unquoted investments

Our audit work included, but was not restricted to:

- understanding management's process to value unquoted investments through discussions with management and examination of control reports on third party administrators, and assessing whether the accounting policy for unquoted investments is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice ('SORP') issued by Association of Investment Companies ('AIC');
- considering whether the techniques applied for valuing unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This was done through obtaining and reviewing the investment valuation policies of the private equity funds, review of the fund's latest available audited financial statements, review of the fund's latest quarterly reports and discussion with the fund's management where applicable;
- agreeing the valuation of unquoted investments to year end fair values as reported in valuation statements received directly from the investee funds; and
- substantively testing a sample of additions and disposals of unquoted investments during the year by agreeing such transactions to bank statements and notifications from the investee funds.

Quoted investments

Our audit work included, but was not restricted to:

- understanding management's process to value quoted investments through discussions with the management and examination of control reports on third party administrators and assessing whether the accounting policy for quoted investments is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the SORP issued by the AIC;
- agreeing the valuation of quoted investments to an independent source of market prices and nominal holdings to confirmation from the custodian in order to

Independent Auditor's Report

continued

Key Audit Matter	How the matter was addressed in the audit
	obtain comfort over existence and ownership of investments; and • substantively testing a sample of additions and disposals of quoted investments during the year by agreeing such transactions to list of trade confirmations and bank statements as applicable. The Company's accounting policy on investments is shown in note 1(b) to the financial statements and related disclosures are included in note 7. The Audit Committee identified valuation, existence and ownership of the Company's investments as a significant issue in its report on page 42, where the Committee also described the action that it has taken to address this issue. **Key observations** Our testing did not identify any material misstatements in the valuation of the Company's investment portfolio as at the year end, nor were any issues noted with regards to the existence or the Company's ownership of the underlying investments at the year end.
Completeness and occurrence of investment income The Company aims to provide long-term shareholder returns by investing in businesses and opportunities delivering or benefiting from the efficient use of energy and resources. Income from investments is a significant, material item in the income statement. Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition. We therefore identified completeness and occurrence of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for revenue recognition is in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the AIC SORP and testing its consistent application on revenue recognised during the year; • substantively testing income transactions to assess if they were recognised in accordance with the policy; • for investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Income Statement and agreeing dividend income recognised by the Company to an independent source. For unquoted investment this was achieved by obtaining distribution notices issued during the year directly from the investee funds; and • assessing the categorisation of corporate actions and special dividends to identify whether the treatment is correct.

Key Audit Matter	How the matter was addressed in the audit
	The Company's accounting policy on income, including its recognition, is shown in note 1(c) to the financial statements and related disclosures are included in note 2. The Audit Committee identified recognition of income as a significant issue in its report on page 42, where the Committee also described the action that it has taken to address this issue. Key observations Our testing did not identify any material misstatements in the amount of revenue recognised during the year.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £725,000, which is 1% of net assets. This benchmark is considered the most appropriate because net assets, which primarily comprise the Company's investment portfolio, are considered to be the key driver of the Company's total return performance and form a part of the net asset value calculation.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017. In both years materiality was calculated using 1% of the Company's expected net assets. The preliminary net asset value at 31 December 2017 was lower than the final audited net asset value, resulting in a lower materiality for that year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We also determine a lower level of specific materiality for certain areas such as investment income and related party transactions, being the management fee and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £36,260. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile and in particular included:

- obtaining an understanding of relevant internal controls at both the Company and third-party service providers. This included obtaining and reading internal controls reports prepared by the third-party service providers on the description, design, and operating effectiveness of the internal controls at the investment manager, custodian and administrator; and

Independent Auditor's Report

continued

- performing substantive audit procedures on specific transactions, which included journal entries and individual material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risk.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 34 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit committee reporting set out on pages 40 and 43 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 35 to 39 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with the legal requirements;

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- a Corporate Governance Statement has not been prepared by the Company.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, 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.

Independent Auditor's Report

continued

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.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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.

Other matters which we are required to address

We were appointed by on 23 May 2016. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
1 April 2019

Income Statement

	Notes	For the year ended 31 December 2018 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2017 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value through profit or loss	7	–	(1,035)	(1,035)	–	6,189	6,189
Income from investments	2	1,509	–	1,509	828	–	828
AIFM and Portfolio management fees	3	(218)	(873)	(1,091)	(209)	(837)	(1,046)
Other expenses	4	(432)	–	(432)	(454)	(60)	(514)
Net return/(loss) before taxation		859	(1,908)	(1,049)	165	5,292	5,457
Taxation on net return	5	(135)	–	(135)	(48)	–	(48)
Net return/(loss) after taxation		724	(1,908)	(1,184)	117	5,292	5,409
Return/(loss) per share	6	0.9p	(2.4)p	(1.5)p	0.1p	6.6p	6.7p

The "Total" column of this statement is the Income Statement of the Company. The "Revenue" and "Capital" columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The Company has no recognised gains and losses other than those shown above and therefore no separate Statement of Total Comprehensive Income has been presented.

The accompanying notes on pages 59 to 73 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

	Ordinary share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2017	800	77,371	(4,539)	60	73,692
Net (loss)/return after taxation	–	–	(1,908)	724	(1,184)
At 31 December 2018	**800**	**77,371**	**(6,447)**	**784**	**72,508**

For the year ended 31 December 2017

	Ordinary share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2016	800	77,371	(9,831)	(57)	68,283
Net return after taxation	–	–	5,292	117	5,409
At 31 December 2017	**800**	**77,371**	**(4,539)**	**60**	**73,692**

The accompanying notes on pages 59 to 73 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2018 £000	As at 31 December 2017 £000
Fixed assets			
Investments at fair value through profit or loss	7	65,611	63,333
Current assets			
Debtors	8	131	85
Derivative financial instruments at fair value through profit or loss	7	–	454
Cash		7,732	9,987
		7,863	10,526
Creditors: amounts falling due within one year			
Other creditors	9	(182)	(167)
Derivative financial instruments at fair value through profit or loss	7	(784)	–
Net current assets		6,897	10,359
Total net assets		72,508	73,692
Capital and reserves			
Ordinary share capital	10	800	800
Special reserve		77,371	77,371
Capital reserve	15	(6,447)	(4,539)
Revenue reserve		784	60
Total shareholders' funds		72,508	73,692
Net asset value per share	11	90.6p	92.1p

The financial statements on pages 55 to 73 were approved by the Board of Directors and authorised for issue on 1 April 2019 and were signed on its behalf by:

Sir Ian Cheshire
Chairman

The accompanying notes on pages 59 to 73 are an integral part of these financial statements.

Menhaden PLC (formerly Menhaden Capital PLC) – Company Registration Number 09242421 (Registered in England and Wales)

Statement of Cash Flows

	Notes	For the year ended 31 December 2018 £000	For the year ended 31 December 2017 £000
Net cash outflow from operating activities	12	(184)	(885)
Investing activities			
Purchases of investments		(28,170)	(27,891)
Sales of investments		26,099	22,891
Net cash (outflow)/inflow from investing activities		(2,071)	(5,000)
(Decrease)/increase in cash and cash equivalents		(2,255)	(5,885)
Cash and cash equivalents at beginning of the year		9,987	15,872
Cash and cash equivalents at end of the year		7,732	9,987

The accompanying notes on pages 59 to 73 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year in the preparation of these financial statements, are set out below:

(a) Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in February 2018 (the 'SORP'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss and on a going concern basis, as set out on page 31.

The Company's financial statements are presented in sterling, being the functional and presentational currency of the Company. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – Quoted prices in active markets;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data), either directly or indirectly.
- Level 3 – Inputs are unobservable (ie for which market data is unavailable)

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical accounting judgements and key sources of estimation uncertainty used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The key estimates, and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of the Company's unquoted (Level 3) investments. 31.2% (2017: 31.1%) of the Company's portfolio is comprised of unquoted investments. These are all valued in line with accounting policy 1(b), starting on page 60. Under the accounting policy the reported net asset value methodology has been adopted in valuing those investments, as set out on page 71.

Notes to the Financial Statements
continued

1. ACCOUNTING POLICIES continued

Key sources of estimation uncertainty

As the Company has judged that it is appropriate to use reported NAVs in valuing the unquoted investments as set out in Note 14 (vi), the Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments are supportable, reasonable and robust, because of the inherent uncertainty of valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of a reappraisal of the unquoted investments fair value within the next year.

In using a figure of 25% in the disclosures, set out on page 71, in relation to unquoted investments the Directors had regard to the nature of the investments, the wide range of possible outcomes, and public information on secondary market transactions in private equity funds.

(b) Investments Held at Fair Value Through Profit or Loss

All investments are measured on initial recognition and at subsequent reporting dates at fair value in accordance with FRS 102 Section 11: Basic Financial Instruments and Section 12: Other Financial Instruments Issues.

Purchases and sales of quoted investments are recognised on the trade date where a contract exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Changes in the fair value of investments and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its price at the time of purchase. The fair value of the different types of investment held by the Company is determined as follows:

- Quoted Investments

  Fair value is deemed to be bid, or last trade, price depending on the convention of the exchange on which it is quoted.

- Unquoted Investments

  Unquoted investments are fair valued using recognised valuation methodologies in accordance with the International Private Equity and Venture Capital Association valuation guidelines (IPEVCA Guidelines).

Where an investment has been made recently the Company may use cost as the best indicator of fair value. In such a case changes or events subsequent to the relevant transaction date would be assessed to ascertain if they imply a change in the investment's fair value.

The Company's unquoted investments comprise of limited partnerships or other entities set up by third parties to invest in a wider range of investments, or to participate in a larger investment opportunity than would be feasible for an individual investor, and to share the costs and benefits of such investment.

For these investments and in line with the IPEVCA Guidelines, the fair value estimate is based on the attributable proportion of the reported net asset value of the unquoted investment derived from the fair value of underlying investments. Valuation reports, provided by the manager or general partner of the unquoted investments are used to calculate fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Company's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value.

If a decision to sell an unquoted investment or portion thereof has been made then the fair value would be the expected sales price where this is known or can be reliably estimated.

Where a portion of an unquoted investment has been sold the level of any discount, implicit in the sale price, will be reviewed at each measurement date for that unquoted investment taking account of the performance of the unquoted investment, as well as any other factors relevant to the value of the unquoted investment.

(c) Investment Income

Dividends receivable are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. UK dividends are shown net of tax credits and foreign dividends are grossed up at the appropriate rate of withholding tax.

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield when it is probable that economic benefit will flow to the Company. Where income accruals previously recognised, but not received, are no longer considered to be reasonably expected to be received, due to doubt over their receipt, then these amounts are reversed through expenses.

Income distributions from limited partnership funds are recognised when the right to the distribution is established.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment, are charged to the capital column of the Income Statement; and
- expenses are charged to the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the portfolio management and AIFM fees have been charged to the Income Statement in line with the Board's expected long-term split of returns, in the form of capital gains and income, from the Company's portfolio. As a result 20% of the portfolio management and AIFM fees are charged to the revenue column of the Income Statement and 80% are charged to the capital column of the Income Statement.

Any performance fee accrued or paid is charged in full to the capital column of the Income Statement.

Notes to the Financial Statements
continued

1. ACCOUNTING POLICIES continued

(e) Taxation

The tax effect of different items of expenditure is allocated between capital and revenue using the marginal basis. Deferred taxation is provided on all timing differences that have originated but not been reversed by the Statement of Financial Position date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the reversal of timing differences can be deducted. Any liability to deferred tax is provided for at the rate of tax enacted or substantially enacted.

(f) Foreign Currency

Transactions recorded in overseas currencies during the year are translated into sterling at the exchange rate ruling on the date of the transaction. Assets and liabilities denominated in overseas currencies are translated into sterling at the exchange rates ruling at the date of the statement of financial position.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or the revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

(g) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(h) Capital Reserves

The following are transferred to this reserve: gains and losses on the realisation of investments; changes in the fair values of investments; and, expenses, together with the related taxation effect, charged to capital in accordance with the Expenses Policy.

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

(i) Special Reserve

During 2016, in order to enable the Company to make share repurchases out of distributable reserves and to increase the distributable reserves available to facilitate the payment of future dividends, following the approval of the Court, the share premium account was cancelled and the balance of the account was transferred to the Special Reserve.

2. INCOME FROM INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 £'000	2017 £'000
Income from investments		
UK listed dividends	155	125
Unquoted distributions	142	–
Overseas dividends	1,196	589
Fixed interest income	16	114
	1,509	828
Total income comprises:		
Dividends	1,493	714
Interest	16	114
	1,509	828

3. AIFM AND PORTFOLIO MANAGEMENT FEES

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
AIFM fee	33	133	166	32	128	160
Portfolio management fee	185	740	925	177	709	886
	218	873	1,091	209	837	1,046

4. OTHER EXPENSES

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Directors' remuneration	170	–	170	170	–	170
Employers NIC on directors' remuneration	18	–	18	18	–	18
Auditors' remuneration for the audit of the Company's financial statements	35	–	35	32	–	32
Registrar fees	23	–	23	21	–	21
Broker fees	30	–	30	30	–	30
Legal and professional costs	13	–	13	56	53	109
Depositary and custody fees	53	–	53	50	–	50
Other costs	90	–	90	77	7	84
Total expenses	432	–	432	454	60	514

Details of the amounts paid to Directors are included in the Directors' Remuneration Report beginning on page 44.

Notes to the Financial Statements
continued

5. TAXATION ON NET RETURN

(a) Analysis of charge in period

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Corporation tax						
Overseas taxation	135	–	135	48	–	48

(b) Factors affecting current tax charge for the year

Approved investment trusts are exempt from tax on capital gains made within the Company.

The tax charged for the period is lower than the standard rate of corporation tax in the UK of 19.0% (2017: 19.25%). The difference is explained below.

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Net return/(loss) before taxation	859	(1,908)	(1,049)	165	5,292	5,457
Corporation tax at 19.0% (2017: 19.25%)	163	(362)	(199)	32	1,019	1,051
Non-taxable gains on investments	–	196	196	–	(1,191)	(1,191)
Overseas withholding taxation	135	–	135	48	–	48
Non taxable overseas dividends	(247)	–	(247)	(113)	–	(113)
Non taxable UK dividends	(29)	–	(29)	(24)	–	(24)
Excess management expenses	113	166	279	105	172	277
Total tax charge	135	–	135	48	–	48

(c) Provision for deferred tax

No provision for deferred taxation has been made in the current period. The Company has not provided for deferred tax on capital profits and losses arising on the revaluation or disposal of investments, as it is exempt from tax on these items because of its status as an investment trust company.

The Company has not recognised a deferred tax asset of £831,000 (17% tax rate) (2017: £585,000, 17%) as a result of excess management expenses. It is not anticipated that these excess expenses will be utilised in the foreseeable future. The reduction in the standard rate of corporation tax was substantially enacted on 13 September 2016 and will be effective on 1 April 2020.

6. (LOSS)/RETURN PER SHARE

	2018 £'000	2017 £'000
The return per share is based on the following figures:		
Revenue return/(loss)	724	117
Capital (loss)/return	(1,908)	5,292
	(1,184)	5,409
Weighted average number of shares in issue during the period	80,000,001	80,000,001
Revenue return per ordinary share	0.9p	0.1p
Capital (loss)/return per ordinary share	(2.4)p	6.6p
	(1.5)p	6.7p

The calculation of the total, revenue and capital returns/(losses) per Ordinary Share is carried out in accordance with IAS 33 Earnings per share.

Notes to the Financial Statements
continued

7. INVESTMENTS

	2018 Quoted Investments £'000	2018 Unquoted Investments £'000	2018 Derivative Financial Instruments* £'000	2018 Total £'000	2017 Quoted Investments £'000	2017 Unquoted Investments £'000	2017 Derivative Financial Instruments* £'000	2017 Total £'000
Opening balance								
Cost at 1 January	37,625	22,780	–	60,405	38,630	20,386	–	59,016
Investment holding gains/(losses) at 1 January	5,171	(2,243)	454	3,382	(2,024)	(4,445)	–	(6,469)
Valuation at 1 January	**42,796**	**20,537**	**454**	**63,787**	**36,606**	**15,941**	**–**	**52,547**
Movement in the period:								
Purchases at cost	24,772	3,402	–	28,174	22,311	5,631	–	27,942
Sales – proceeds	(21,240)	(4,637)	(222)	(26,099)	(20,130)	(2,761)	–	(22,891)
– (losses)/gains on sales	(2,446)	894	222	(1,330)	(3,186)	(476)	–	(3,662)
Net movement in investment holdings (losses)/gains	(909)	2,442	(1,238)	295	7,195	2,202	454	9,851
Valuation at 31 December	**42,973**	**22,638**	**(784)**	**64,827**	**42,796**	**20,537**	**454**	**63,787**
Closing balance								
Cost at 31 December	38,711	22,439	–	61,150	37,625	22,780	–	60,405
Investment holding gains/(losses) at 31 December	4,262	199	(784)	3,677	5,171	(2,243)	454	3,382
Valuation at 31 December	**42,973**	**22,638**	**(784)**	**64,827**	**42,796**	**20,537**	**454**	**63,787**

*Derivative financial instruments comprise foreign exchange forwards. Further details are included in note 14.

	2018 £'000	2017 £'000
Losses based on historical cost – sales	(1,330)	(3,662)
Movement in investment holding gains in the year	295	9,851
(Losses)/gains on investments	**(1,035)**	**6,189**

Purchase transaction costs were £13,000 (2017: £23,000). These comprise mainly commission and stamp duty.

Sales transaction costs were £15,000 (2017: £30,000). These comprise mainly commission.

8. DEBTORS

	2018 £'000	2017 £'000
VAT recoverable	15	20
Withholding tax recoverable	75	33
Prepayments and accrued income	41	32
	131	85

9. OTHER CREDITORS

	2018 £'000	2017 £'000
Amounts falling due within one year		
Other creditors	182	167

10. SHARE CAPITAL

	2018 £'000	2017 £'000
Issued and fully paid:		
Ordinary shares of 1p	800	800

11. NET ASSET VALUE PER SHARE

	2018	2017
Net asset value per share	90.6p	92.1p

Net asset value per share

The net asset value per share is based on the assets attributable to equity shareholders of £72,508,000 (2017: £73,692,000) and on the number of Ordinary Shares in issue at the year end of 80,000,001.

12. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018 £'000	2017 £'000
(Losses)/gains before finance costs and taxation	(1,049)	5,457
Deduct: Losses/(gains) made on investments	1,035	(6,189)
	(14)	(732)
(Increase)/decrease in other debtors	(4)	7
Increase/(decrease) in creditors and accruals	15	(34)
Effective interest rate amortisation	(4)	(51)
Net taxation suffered on investment income	(177)	(75)
Net cash outflow from operating activities	(184)	(885)

Notes to the Financial Statements
continued

13. RELATED PARTIES

The following are considered to be related parties:

- Frostrow Capital LLP
- The Directors of the Company

Details of the relationship between the Company and the Company's AIFM are disclosed in the Strategic Report on pages 16 to 19. Details of fees paid to Frostrow by the Company can be found in note 3 on page 63. All material related party transactions have been disclosed in note 3 on page 63. Details of the remuneration of all Directors can be found in note 4. Details of the Directors' interests in the capital of the Company can be found on page 45.

Ben Goldsmith, a member of the Portfolio Manager, holds a minority membership interest in Alpina Partners LLP (formerly WHEB Capital Partners LLP), the investment manager of the WCP Growth Fund LP. He also has a small carried interest participation in this fund.

14. FINANCIAL INSTRUMENTS

Risk management policies and procedures

The Company's financial instruments comprise securities and other investments, cash balances and certain debtors and creditors that arise directly from its operations.

As an investment trust, the Company invests in equities and other investments for the long term so as to achieve its investment objective as stated on pages 6 and 7. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets.

The main risks that the Company faces arising from its use of financial instruments are:

(i) market risk (including foreign currency risk, interest rate risk and other price risk)

(ii) liquidity risk

(iii) credit risk

These risks, with the exception of liquidity risk, and the Directors' approach to the management of them, are set out in the Strategic Report on pages 19 to 21. The AIFM, in close co-operation with the Board and the Portfolio Manager, co-ordinates the Company's risk management.

(i) Other price risk

In pursuance of the Company's Investment Objective the Company's portfolio is exposed to the risk of fluctuations in market prices and foreign exchange rates.

The Board manage these risks through the use of investment limits and guidelines as set out on pages 6 and 7, and monitor the risks through monthly compliance reports from Frostrow, with reports from Frostrow and the Portfolio Manager also presented at each Board meeting. In addition, Frostrow monitor the exposure of the Company and compliance with the investment limits and guidelines on a daily basis.

Other price risk sensitivity

Other price risk may affect the value of the quoted investments.

14. FINANCIAL INSTRUMENTS continued

If market prices at the date of the Statement of Financial Position had been 25% higher or lower while all other variables had remained constant: the revenue return would have decreased/increased by £48,000 (2017: £46,000); the capital return would have increased/decreased by £16,209,000 (2017: £15,341,000); and, the return on equity would have increased/decreased by £16,161,000 (2017: £15,295,000). The calculations are based on the portfolio as at the respective dates of the Statement of Financial Position and are not representative of the year as a whole.

(ii) Foreign currency risk

A significant proportion of the Company's portfolio positions are denominated in currencies other than sterling (the Company's functional currency, and the currency in which it reports its results). As a result, movements in exchange rates can significantly affect the sterling value of those items.

Foreign currency risk is managed and maintained in conjunction with other price risk as described above.

Foreign currency exposure

The fair values of the Company's assets and liabilities that are denominated in foreign currencies are shown below:

	2018				2017			
	Investments £'000	Derivatives* £'000	Current assets £'000	Net £'000	Investments £'000	Derivatives £'000	Current assets £'000	Net £'000
U.S. dollar	41,523	(13,715)	16	27,824	25,093	(12,921)	13	12,185
Euro	14,018	(13,032)	75	1,061	25,159	(12,884)	33	12,308
Other	2,385	–	10	2,395	6,415	–	–	6,415
	57,926	(26,747)	101	31,280	56,667	(25,805)	46	30,908

*Derivatives comprise foreign currency forwards used to partially hedge the Company's exposure to overseas currencies.

Foreign currency sensitivity

The following table details the sensitivity of the Company's net return for the year and shareholders' funds to a 10% increase and decrease in sterling against the relevant currency.

These percentages have been determined based on market volatility in exchange rates over the period since launch. The sensitivity analysis is based on the Company's significant foreign currency exposures at each Balance Sheet date.

	2018			2017		
	USD £'000	EUR £'000	Other £'000	USD £'000	EUR £'000	Other £'000
Sterling depreciates	3,083	116	262	1,511	1,278	702
Sterling appreciates	(2,522)	(95)	(215)	(1,236)	(1,045)	(575)

(iii) Interest rate risk

Interest rate changes may affect:

– the level of income receivable from floating and fixed rate securities and cash at bank and on deposit;

– the fair value of investments in fixed interest securities.

Notes to the Financial Statements

continued

14. FINANCIAL INSTRUMENTS continued

Interest rate exposure

The exposure of financial assets and liabilities to fixed and floating interest rates, is shown below.

At 31 December 2018, the Company held 0.2% (2017: 0.3%) of the portfolio in debt instruments. The exposure is shown in the table below:

	2018		2017	
	Fixed rate £'000	Floating rate £'000	Fixed rate £'000	Floating rate £'000
Quoted debt investments	159	–	156	–
Cash	–	7,732	–	9,987
	159	7,732	156	9,987

Interest rate sensitivity

If interest rates had been 1% higher or lower and all other variables were held constant, the Company's net return for the year ended 31 December 2018 and the net assets would increase/decrease by £77,000 (2017: £100,000).

(iv) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The main liquidity requirements the Company may face are its commitments to the investments in limited partnership funds, as set out in note 16 on page 73. These commitments can be drawn down on 3 or 10 days notice, although it is considered unlikely that they would all be drawn at once. Frostrow and the Portfolio Manager are in regular contact with the managers of the limited partnership funds, as a part of which they would be made aware, and plan accordingly, of any material drawdowns under those commitments.

The Company's assets comprise quoted securities (equity shares, fixed income and fund investments), cash, and unquoted limited partnership funds and investments. Whilst the unquoted investments are illiquid, short-term flexibility is achieved through the quoted securities, which are liquid, and cash which is available on demand.

The liquidity of the quoted securities is monitored on a monthly basis to ensure that there is sufficient liquidity to meet the company's liabilities and any forthcoming drawdowns.

(v) Credit risk

Credit risk is the risk of failure of a counterparty to discharge its obligations resulting in the Company suffering a financial loss. The quoted debt investments are managed as part of an investment portfolio, and their credit risk is considered in the context of their overall investment risk.

14. FINANCIAL INSTRUMENTS continued

Credit risk exposure

	2018 £'000	2017 £'000
Quoted debt investments	159	156
Derivative financial instruments	–	454
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	116	65
Cash	7,732	9,987

(vi) Hierarchy of investments

The Company's investments are valued within a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements as described in the accounting policies beginning on page 59.

As of 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	42,814	159	22,638	65,611
Derivatives	–	(784)	–	(784)

As of 31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	42,640	156	20,537	63,333
Derivatives	–	454	–	454

Level 3 investments as of 31 December 2018

	Cost	Value £	Ownership	Valuation basis
KKR Evergreen Co-Invest LP [1]	£3,518,000	3,867,000	1.25%	NAV
Perfin Apollo 12 FIP	BRL3,577,000	711,000	5.80%	NAV
Helios Co-Invest LP [2]	US$12,562,000	15,594,000	6.00%	NAV
WCP Growth Fund LP	£7,742,000	947,000	10.30%	Discount to NAV
TCI Real Estate Partners Fund III Ltd	US$1,927,000	1,519,000	1.29%	NAV

[1] Described as Calvin Capital in the portfolio statement
[2] Described as X-ELIO in the portfolio statement

The WCP Fund made net drawdowns of £133,000 during the year. Helios Co-Invest LP's (Helios) fair value increased by £3,673,000 and a further investment of US$553,000 was made into Helios.

Perfin Apollo 12 FIP and TCI Real Estate Partners Fund III Limited made drawdowns of BRL524,000 and US$1,925,000, respectively, during the year. In addition Calvin Capital made a distribution of £141,000.

The Company sold half its stake in the Alpina Fund for £1,205,000 during 2018. The cost of the stake sold was €2,428,000 and its previous carrying value (adjusted for distributions and drawdowns prior to the sale) was £1,182,000.

Notes to the Financial Statements
continued

14. FINANCIAL INSTRUMENTS continued

If a 25% discount to NAV was applied to the NAV of the level 3 investments as at 31 December 2018, or the discount already applied was increased by 25%, the impact would have been a decrease of £5,660,000 in net assets and the net return for the year.

Level 3 investments as of 31 December 2017

	Cost	Value £	Ownership	Valuation basis
Alpina Partners Fund LP	€3,529,000	3,620,000	4.70%	NAV
KKR Evergreen Co-Invest LP [1]	£3,518,000	3,500,000	1.25%	NAV
Perfin Apollo 12 FIP	BRL3,054,000	680,000	5.80%	NAV
Helios Co-Invest LP [2]	US$12,562,000	11,675,000	6.00%	NAV
WCP Growth Fund LP	£7,742,000	1,062,000	10.30%	Discount to NAV

[1] Described as Calvin Capital in the portfolio statement
[2] Described as X-ELIO in the portfolio statement

During 2017 the WCP Growth Fund LP (WCP Fund) was written down by £1,346,000 and the Alpina Partners Fund LP (Alpina Fund) was written up by £1,352,000 . In addition, the WCP Fund made net capital distributions of £561,000 during the year and the Alpina Fund made net drawdowns of £547,000. Helios Co-Invest LP's (Helios) fair value increased by £1,871,000 and it made a capital distribution of £363,000.

If a 25% discount to NAV was applied to the NAV of the level 3 investments as at 31 December 2017, or the discount already applied was increased by 25%, the impact would have been a decrease of £5,134,000 in net assets and the net return for the year.

(vii) Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing to a maximum of 20% of the Company's net assets. Currently the Company does not have any gearing and there are no facilities in place.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as disclosed on the Statement of Financial Position on page 57.

The Board, with the assistance of the AIFM and the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

– the planned level of gearing, which takes into account the Portfolio Manager's view of the market;

– the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share;

– the need for new issues of equity shares; and,

– the extent to which revenue in excess of that which is required to be distributed should be retained.

15. CAPITAL RESERVE

	2018 Capital Reserves			2017 Capital Reserves		
	Other £'000	Investment Holding (Losses) /Gains £'000	Total £'000	Other £'000	Investment Holding Losses £'000	Total £'000
At 1 January	(7,921)	3,382	(4,539)	(3,362)	(6,469)	(9,831)
Net (losses)/gains on investments	(1,330)	295	(1,035)	(3,662)	9,851	6,189
Expenses charged to capital	(873)	–	(873)	(897)	–	(897)
At 31 December	(10,124)	3,677	(6,447)	(7,921)	3,382	(4,539)

Sums within the Total Capital Reserve less unrealised gains (those on investments not readily convertible to cash) are available for distribution. In addition the Revenue Reserve is available for distribution.

16. FINANCIAL COMMITMENT

The Company has made commitments to provide additional funds to the following investments:

	Sterling Commitment	Local currency Commitment	Notice of drawdown
KKR Evergreen Co-Invest LP	£175,000	–	10 business days
Perfin Apollo 12 FIP	£2,922,000	BRL14,422,000	10 days
WCP Growth Fund LP	£135,000	–	10 business days
Helios Co-Invest LP	£49,000	US$62,000	3 business days
TCI Real Estate Partners Fund III Limited	£10,265,000	US$13,073,000	10 business days

17. THE COMPANY

The Company is a public limited company (PLC) incorporated in England and Wales, with registered office at One Wood Street, London, EC2V 7WS. The Company's principal place of business is 25 Southampton Buildings, London, WC2A 1AL.

On 14 December 2018, the Company's name was changed from Menhaden Capital PLC to Menhaden PLC.

Shareholder Information

Financial Calendar

31 December	Financial Year End
March/April	Final Results Announced
May	Annual General Meeting, Final Dividend
30 June	Half Year End
September	Half Year End Results Announced

Annual General Meeting

The Annual General Meeting of Menhaden PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday, 29 May 2019 at 12 noon.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Link Asset Services, under the signature of the registered holder.

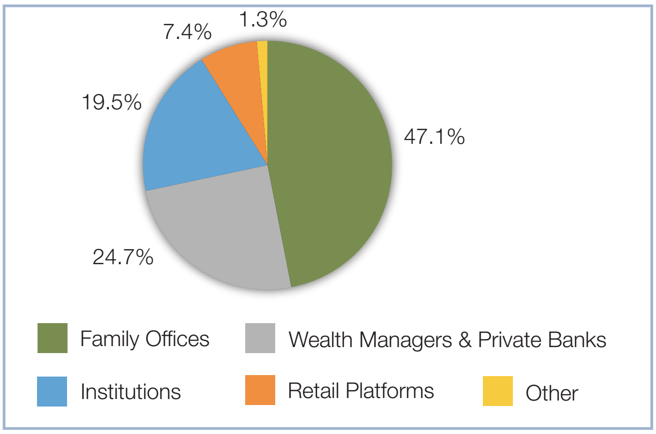
Net Asset Value

The net asset value of the Company's shares can be obtained on the Company's website at www.menhaden.com and is published monthly via the London Stock Exchange.

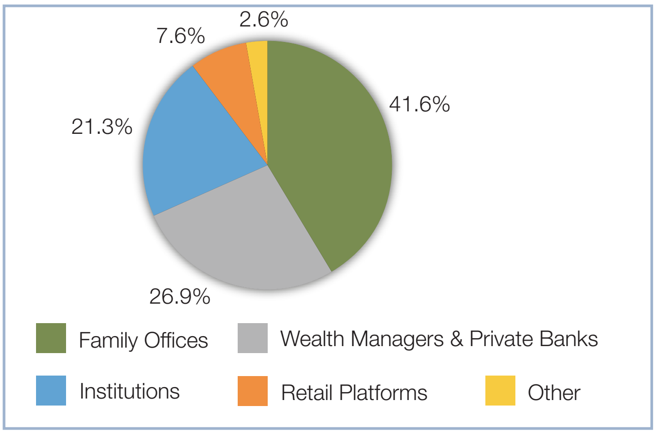
Profile of the Company's Ownership

% of Ordinary Shares held at:

31 December 2018



31 December 2017



AIFMD Disclosures

The Company's AIFM, Frostrow Capital LLP and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Those disclosures that are required to be made pre-investment are included within an Investor Disclosure Document which can be found on the Company's website www.menhaden.com.

The periodic disclosures to investors are made below:

- Information on the investment strategy, sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Frostrow.
- The Strategic Report and note 14 to the Financial Statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place during the year under review and no breaches of the risk limits set, with no breach expected.
- The maximum level of leverage did not change in the year under review: during the year ended 31 December 2018, the maximum permitted levels were 200% on a gross basis and 120% on a commitment basis (see Glossary on page 76 for further details). Gross leverage was 128.2% (2017: 121%) and commitment leverage was 100.1% (2017: 100.1%).
- With effect from 15 February 2019, leverage on a commitment basis was changed from 120% to 200%. The maximum permitted leverage level on a gross basis remained 200%.
- No right of re-use of collateral or any guarantee granted under the leveraging arrangement has arisen during the period.
- Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Note: These disclosures are not audited by the Company's statutory auditor.

Glossary

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Compounding Hurdle

The payment of a performance fee is conditional on the Company's NAV being above the high watermark and the return on the gross proceeds from the IPO of the Company exceeding an annualised compound return of 5%.

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

In simple terms gearing is borrowing. An investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on shareholders' funds is called 'gearing'. If the Company's assets grow, shareholders' funds grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the company's borrowings expressed as a percentage of shareholders' funds.

High Watermark

The high watermark is the highest net asset value that the Company has reached. Its initial level was set at 100p on the launch of the Company.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a **gross** and a **commitment** method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions (as detailed in the AIFMD) are offset against each other.

Net Asset Value (NAV)

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV per share is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which are in issue. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

NAV Total Return

The theoretical total return on shareholders' funds per share, including an assumed £100 original investment at the beginning of the period specified, reflecting the change in NAV assuming that any dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in the Share price discount/premium.

Share Price Total Return

Return to the investor on mid-market prices assuming that all dividends paid were reinvested, usually expressed as a percentage.

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised ongoing charges, excluding finance costs, taxation, performance fees and exceptional items, and expressing them as a percentage of the average daily net asset value of the Company over the year.

	31 December 2018 £'000	31 December 2017 £'000
Total Operating Expenses	1,523	1,560
Deduct: Non-recurring items	–	(2)
Investment due diligence costs	–	(103)
Adjusted Operating Expenses	**1,523**	**1,453**
Average Net Assets during the year	73,983	70,680
Ongoing Charges	2.1%	2.1%

How to Invest

Retail Investors Advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers (IFAs) in the UK to ordinary retail investors in accordance with the Financial Conduct Authority (FCA) rules in relationship to non-mainstream investment procedures and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	http://www.youinvest.co.uk/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclays.co.uk/smart-investor/
Bestinvest	http://www.bestinvest.co.uk
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
FundsDirect	http://www.fundsdirect.co.uk/
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://hsbc.co.uk/investments
iDealing	http://www.idealing.com/
Interactive Investor	http://www.ii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	https://www.home.saxo/

Link Asset Services – Share Dealing Service

A quick and easy share dealing service is available to existing shareholders through the Company's Registrars, Link Asset Services, to either buy or sell shares. An online and telephone dealing facility provides an easy to access and simple to use service.

There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction.

To deal online or by telephone all you need is your surname, investor code, full postcode and your date of birth. Your investor code can be found on your share certificate. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service please contact: www.linksharedeal.com (online dealing) or +44 (0) 371 664 0445 (telephone dealing).

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm Monday to Friday excluding public holidays in England and Wales.

Risk warnings

– *Past performance is no guarantee of future performance.*

– *The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.*

– *As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.*

– *Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.*

– *Investors should note that tax rates and reliefs may change at any time in the future.*

– *The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.*

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Menhaden PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday, 29 May 2019 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive and accept the Annual Report for the year ended 31 December 2018.
2. To declare a final dividend of 0.7p per ordinary share for the year ended 31 December 2018.
3. To re-elect Sir Ian Cheshire as a Director of the Company.
4. To re-elect Duncan Budge as a Director of the Company.
5. To re-elect Emma Howard Boyd as a Director of the Company.
6. To re-elect Howard Pearce as a Director of the Company.
7. To re-appoint Grant Thornton UK LLP as the Company's Auditor and to authorise the Audit Committee to determine their remuneration.
8. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2018.
9. To approve the Directors' Remuneration Policy as set out on page 46 of the Annual Report for the year ended 31 December 2018.

Special Business

To consider and, if thought fit, pass the following resolution as a special resolution:

General Meetings

10. THAT the Directors be authorised to call general meetings (other than the Annual General Meeting of the Company) on not less than 14 clear days' notice, such authority to expire on the conclusion of the next Annual General Meeting of the Company or if earlier, on the expiry 15 months from the date of the passing of the resolution.

By order of the Board

Registered Office:
One Wood Street
London EC2V 7WS

Frostrow Capital LLP
Company Secretary
1 April 2019

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. This year, hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.signalshares.com and following instructions, requesting a hard copy form of proxy directly from the registrars, Link Asset Services, by emailing enquiries@linkgroup.co.uk; or, in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 12 noon on 27 May 2019.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the “Register of Members”) at close of business on Monday, 27 May 2019 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 29 March 2019 (being the last business day prior to the publication of this notice) the Company’s issued share capital consists of 80,000,001 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 March 2019 are 80,000,001.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited (“CRESTCo”), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting, excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of the Annual General Meeting
continued

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
16. Members who have appointed a proxy using a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Asset Services on 0871 664 0300 (calls cost 12p per minute plus network extras). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday.
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, subject to paragraph 4, the proxy appointment will remain valid.

Location of the Annual General Meeting
Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG

Nearest tube/rail station: Liverpool Street Station (Central, Circle, Hammersmith & City and Metropolitan lines, London Overground and National Rail)

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report

The Annual Report for the year ended 31 December 2018 will be presented to the Annual General Meeting (AGM). These financial statements accompany this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolution 2 – To approve a Final Dividend

The rationale for the payment of a final dividend is set out in the Chairman's Statement on page 4 and the Directors' Report on page 30.

Resolutions 3 to 6 – Re-election of Directors

Resolutions 3 to 6 deal with the re-election of each Director. Biographies of each of the Directors can be found on pages 28 and 29 of the Annual Report.

Resolution 7 – Re-appointment of Auditor and the determination of their remuneration

Resolution 7 relates to the re-appointment of Grant Thornton UK LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

Resolutions 8 and 9 – Directors' Remuneration Report and Remuneration Policy

It is mandatory for all listed companies to put their report on Directors' remuneration to a shareholder vote every year and their report on the Directors' remuneration policy to a shareholder vote every three years. After the forthcoming AGM on 29 May 2019, the remuneration policy will next be put to shareholders at the AGM in 2022.

The Directors' Remuneration Report is set out in full in the Annual Report on pages 44 and 45 and the Remuneration Policy is set out on page 46.

Resolution 10 – General Meetings

Special Resolution No. 10 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible, in line with the recommendations of the UK Corporate Governance Code.

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 168,000 shares.

Company Information

Directors
Sir Ian Cheshire (Chairman)
Duncan Budge
Emma Howard Boyd
Howard Pearce

Company Registration Number
09242421 (Registered in England and Wales)
The Company is an investment company as defined under Section 833 of the Companies Act 2006
The Company was incorporated on 30 September 2014. The Company was incorporated as BGT Capital PLC.

Website
Website: www.menhaden.com

Registered Office
One Wood Street
London EC2V 7WS

Alternative Investment Fund Manager, Company Secretary and Administrator
Frostrow Capital LLP
25 Southampton Buildings, London WC2A 1AL
Telephone: 0203 008 4910
E-mail: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by e-mail, please contact Frostrow Capital using the above e-mail address.

Portfolio Manager
Menhaden Capital Management LLP
14 Curzon Street
London
W1J 5HN
Authorised and regulated by the Financial Conduct Authority

Depositary
J.P. Morgan Europe Limited
25 Bank Street
London E14 5JP

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Corporate Broker
Numis Securities Limited
London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): + 44 371 664 0300
E-mail: enquiries@linkgroup.co.uk
Shareholder Portal: www.signalshares.com
Website: www.linkassetservices.com
Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†Calls cost 12p per minute plus your phone company's access charge and may be recorded for training purposes. Calls outside the UK will be charged at the applicable international rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Share Price Listings
The price of your shares can be found in various publications including the Financial Times, The Daily Telegraph, The Times and The Scotsman.

The Company's net asset value per share is announced monthly and is available, together with the share price, on the TrustNet website at www.trustnet.com.

Identification Codes

Shares:	SEDOL	:	BZ0XWD0
	ISIN	:	GB00BZ0XWD04
	BLOOMBERG	:	MHN LN
	EPIC	:	MHN

Legal Entity Identifier
2138004NTCUZTHFWXS17

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

1 Reject unexpected offers
Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

2 Check the FCA Warning List
Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without FCA authorisation.

3 Get impartial advice
Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report a firm or scam to the Financial Conduct Authority on 0800 111 6768 or through www.fca.org.uk/scamsmart

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart investor

aic
The Association of Investment Companies

A member of the Association of Investment Companies

Disability Act

Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Asset Services, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888.
Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

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