Seneca Global Income & Growth Trust plc

Annual Report and Accounts

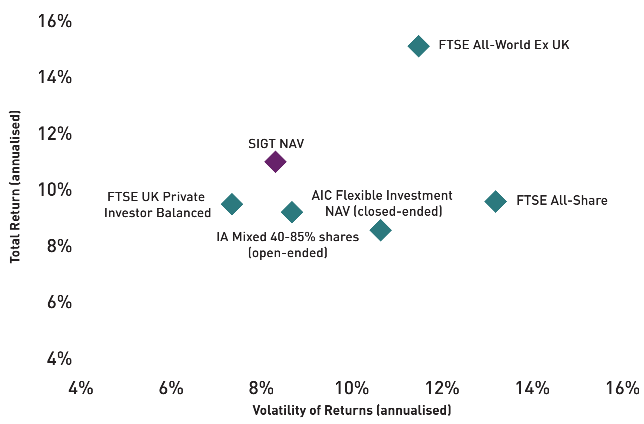
30 April 2017

SENECA INVESTMENT MANAGERS | Multi-Asset Value Investing

Seneca Global Income & Growth Trust plc

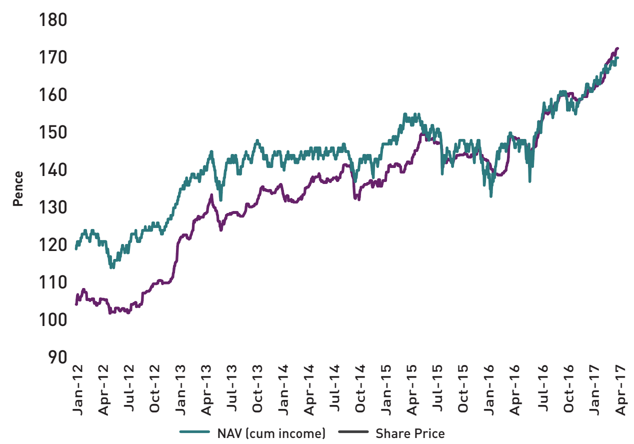
All charts below are taken from 18 January 2012 being the date of the change to the Investment Policy

Chart 1 – Volatility Level



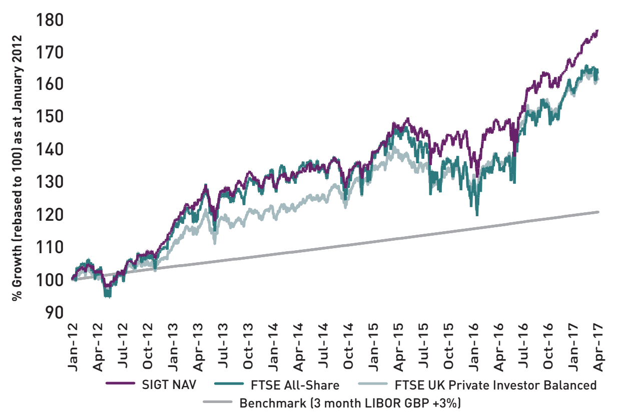
Source: Cantor Fitzgerald/Morningstar

Chart 2 – NAV vs Share Price, GBP



Source: Cantor Fitzgerald/Morningstar

Chart 3 – Cumulative Growth, NAV Total Return, GBP



Source: Cantor Fitzgerald/Morningstar

Chart 4 – Dividend Growth* vs CPI

Source: Cantor Fitzgerald/Morningstar
* Financial Year Dividend

Total returns against comparator indices for periods to 30 April 2017

	1 Year %	Cumulative 3 Year %	5 Year %	Since 18.01.2012 %
SIGT NAV	19.6	32.3	71.8	76.1
SIGT Share Price	20.7	43.9	102.4	107.3
Benchmark (3 month LIBOR GBP +3%)	3.5	11.1	19.4	20.7
AIC Flexible Investment Sector (unweighted)	18.6	34.1	47.1	47.6
FTSE UK Private Investor Balanced	18.7	31.1	59.6	61.4
FTSE All-Share Index	20.1	21.8	58.6	63.1
FTSE All-World Ex UK Index	32.0	58.6	103.2	105.4
FTSE Gilts All-Stocks Index	8.2	24.8	28.4	26.0

Sources: Cantor Fitzgerald/Morningstar

Seneca Global Income & Growth Trust plc

Our Objective

To outperform 3-month LIBOR plus 3% over the longer term, with low volatility and the prospect of income and capital growth, through investment in a multi-asset portfolio.

Contents

Financial Highlights

Performance

Percentage total return	1 year	Since 18/01/12
Share price	+20.7	+107.3
Net asset value	+19.6	+76.1
Benchmark (3 month LIBOR GBP +3%)	+3.5	+20.7

	30 April 2017	30 April 2016	% change
Total assets* (£'000)	76,780	65,628	+17.0
Total equity shareholders' funds (net assets) (£'000)	69,780	58,628	+19.0
Share price (mid market)	171.50p	147.75p	+16.1
Net asset value per share (cum income)	169.04p	146.95p	+15.0
Premium*	1.5%	0.5%	
Actual gearing*	1.05	1.11	
Potential gearing*	1.10	1.12	
Ongoing Charges ratio*	1.61%	1.60%	
Dividends and earnings			
Total return per share	28.21p	0.95p	
Revenue return per share	6.78p	5.98p	+13.4
Dividends per Ordinary share	6.14p	5.93p	+3.5
Revenue reserves (£'000)	1,287	1,008	

* A glossary of the terms can be found on page 51.

	Rate	xd date	Record date	Payment date
Fourth interim 2017	1.58p	18 May 2017	19 May 2017	9 June 2017
Third interim 2017	1.52p	16 February 2017	17 February 2017	10 March 2017
Second interim 2017	1.52p	24 November 2016	25 November 2016	16 December 2016
First interim 2017	1.52p	18 August 2016	19 August 2016	9 September 2016
Total	**6.14p**			
Fourth interim 2016	1.52p	19 May 2016	20 May 2016	10 June 2016
Third interim 2016	1.47p	18 February 2016	19 February 2016	11 March 2016
Second interim 2016	1.47p	19 November 2015	20 November 2015	11 December 2015
First interim 2016	1.47p	20 August 2015	21 August 2015	18 September 2015
Total	**5.93p**			

Chairman's Statement

Highlights

- Discount Control Mechanism successfully introduced
- Shares both issued and bought-in, raising over £1.1m net to date[1]
- Shares have traded in a very narrow range around NAV
- NAV total return +19.6%
- Share price total return +20.7%
- Dividends for the year increased by 3.5% to 6.14 pence
- Annualised volatility 9.7% compared with 12.6% for the FTSE All-Share Index
- Certain changes proposed to the Investment Objective and Policy

Performance

Seneca Global Income & Growth Trust plc ('SIGT' or 'the Company') generated a net asset value ('NAV') total return for the year of +19.6% which was materially better than the benchmark return of +3.5%, being 3-month LIBOR plus 3%. SIGT's NAV performance over the year compared reasonably well with most of the comparator indices, whose returns were: FTSE All-Share Index +20.1%, FTSE All-World ex-UK Index +32.0%, FTSE UK Private Investor Balanced Index +18.7%, and FTSE Gilts All-Stocks Index +8.2%. During the year, the Company moved from the AIC Global Equity Income sector to the AIC Flexible Investment sector. Whilst this is a relatively new creation, many of its constituents have existed for a very long time and all share a relatively 'flexible' investment policy. As with SIGT, the sector's constituents can invest in various asset classes and are not entirely invested in equities. As such the sector as a whole represents a better peer group with which to compare SIGT notwithstanding the diverse range of investment objectives and approaches among its constituents. The sector's unweighted average NAV total return was +18.6% for the year.

It is now over five years since the Company significantly changed its Investment Objective and Policy and over that period SIGT's NAV total return has been +76.1%, significantly outperforming its benchmark return of +20.7%. At the forthcoming Annual General Meeting the Board is proposing certain changes to the Investment Objective and Policy. A Circular detailing these proposals accompanies the Annual Report. In summary, the Board reviewed SIGT's historic and prospective investment performance based on the Investment Policy adopted in January 2012 and concluded the current Investment Objective (and therefore Benchmark) materially understates what the Company seeks to achieve. The proposed Investment Objective is therefore "*Over a typical investment cycle, the Company will seek to achieve a total return of at least CPI plus 6% per annum after costs with low volatility, and with the aim of growing aggregate annual dividends at least in line with inflation, through the application of a Multi-Asset Investment Policy*". Essentially in moving from a Benchmark of 3-month LIBOR plus 3% to one of CPI plus 6%, the Board is recognising the importance of achieving real returns at a level that is more appropriate to the Investment Policy. The proposed changes to the Investment Policy are not considered to be fundamental but rather variations to allow Seneca Investment Managers Ltd ("the Manager") greater flexibility and efficiency in how it executes the Multi-Asset Investment Policy.

The Manager's Review later in this Annual Report provides extensive commentary on its Multi-Asset Value Investing philosophy as well as detailed analysis of the year's performance.

Dividends

The Company paid a fourth interim dividend of 1.58 pence per share on 9 June 2017, which, when added to the three preceding interim dividends, produced total dividends of 6.14 pence per share for the year to 30 April 2017, an increase of 3.5% on the previous year's 5.93 pence. It is the Board's intention, barring unforeseen circumstances, to at least maintain the quarterly dividend amount of 1.58 pence per share for the year to 30 April 2018 (aggregate dividends of 6.32 pence per share). On this assumption, the shares will provide a yield of 3.7% on the share price of 171.5 pence that prevailed at the year end.

The aggregate annual dividends are well covered by earnings which in turn are generated naturally from a well spread and diverse range of sources.

The Board is conscious that, because the fourth interim dividend (effectively the 'final' dividend) for each financial year is declared in May and paid in June, shareholders do not get the opportunity to vote on this at the AGM (held in July). Rather than deferring the dividend to allow this, the Board has decided to invite shareholders henceforth to vote annually on the Company's dividend policy as detailed in the Directors' Report and the Circular.

Discount Control Mechanism ('DCM')

Last year, the Board committed itself to the introduction of a Discount Control Mechanism ('DCM') which would aim to regulate the share price at very close to net asset value, and provide improved liquidity in the Company's shares. With effect from 1 August 2016, this was duly introduced and, to date, has achieved its aims. It also resulted in the issuance of 1,385,000 new shares by the period end, and since then and up to the last practicable date of 9 June 2017, a further 275,000 shares have been issued and 1,000,000 bought-in; altogether bringing in a net total of over £1.1m of new capital[1]. The Board is delighted to have been able to demonstrate its willingness to both issue and buy-in shares.

Many investors find the risk of buying shares whose rating might deteriorate (i.e. move to a discount) understandably unappealing. In addition, the risk of not being able to buy and sell shares whenever and in whatever quantity desired (i.e. illiquidity) is a deterrent for many investors. The introduction of a DCM aims to reduce radically and even overcome both these risks. As a consequence, the appeal of the Company should be greater and wider, assuming the Investment Policy and its execution remain effective. Over time, this should lead to the expansion of the Company and in turn reduce the Ongoing Charges by spreading the fixed costs over a larger base.

Gearing

The Company has in place a rolling debt facility of £11 million from the Royal Bank of Scotland. The size of the facility was increased from £7 million during the year partly to assist with the operation of the DCM and, as such, only about 60% of the facility was used for most of the year providing average gearing of approximately 10%. The extra headroom in the facility will enable gearing levels to be maintained when the DCM results in the issuance of new shares or will provide short-term working capital should shares be re-purchased.

Investment Manager

The Board announced in March 2017 that Alan Borrows intends to retire at the end of this calendar year and would like to repeat and record its gratitude to Alan for his service to the Company since 2005, while also wishing him a long and happy retirement. The Board is very comfortable with the Manager's succession planning and confident that its team structure, under Peter Elston's leadership, bodes well for the Company's future.

Company Secretary and Administrator

As previously announced, PATAC Limited became the Company's Secretary and Administrator on 11 July 2016 and also, under the Board's instructions, has operated successfully the Company's DCM since 1 August 2016.

Investment Outlook

In light of the General Election, the timing of this statement could be better in the sense of making predictions of the future somewhat easier! Suffice it to say that the Board set its timetable for the year long before the calling of the 'snap' election. In my Interim Report of December 2016 I raised more questions than answers; not least 'Is the unexpected now to be expected?'. If, based on this, I allowed myself to feel prescient, I know I would be short-sighted (or delusional). The Manager's Review looks backwards and to the future in a hopefully helpful way, so I will restrict myself here by promoting the virtues of SIGT's Multi-Asset Investment Policy as a means of providing attractive risk adjusted returns over the medium to long term.

Annual General Meeting ('AGM')

Last year's AGM was held in Liverpool and all resolutions were passed by a majority of over 99% of shares voted. These resolutions included SIGT's continuation, as well as authority to buy-in up to 14.99% of the outstanding shares and to issue new shares for cash on a non pre-emptive basis equivalent to up to 20% of the outstanding shares. These buy-in and issuance authorities are essential to enable the DCM to operate and are being proposed again this year. This year's AGM will be held in London on Thursday 6 July 2017 and we would be delighted to meet as many shareholders as possible. As mentioned earlier, in addition to the relatively normal business of the AGM, there is a resolution to approve the proposed changes to the Investment Objective and Policy. All these matters are contained in the detailed Circular accompanying the Annual Report. Resolution 8 at this year's AGM concerns the annual continuation vote by shareholders on the Company's future. Your Board believes that continuation is in the best interests of the Company and its members as a whole, and strongly recommends that shareholders vote in favour of Resolution 8 (as well as all other resolutions) as your Directors intend to do in respect of their own beneficial shareholdings of 320,810 shares.

Richard Ramsay
Chairman
13 June 2017

1 In the event of any discrepancies between this Annual Report and the accompanying Circular in relation to the Company's share capital and Resolutions for the AGM, the Circular should be considered to contain the correct figures. Any such discrepancies will only have arisen due to the slightly different cut-off dates for such data and the efficient operation of the Discount Control Mechanism.

Manager's Review

Overview

In important respects, the year under review was the reverse of the previous year. Where in 2015/16 both bond yields and equity markets had fallen, in 2016/17 they both rose. This was a reflection of improving prospects for global economic growth, with the OECD World Leading Index beginning to turn up in the first half of 2016. China's economy also showed signs of stabilisation, having seen various economic indicators falling the previous year.

However, in other respects, the year was a continuation of the previous year. Unemployment rates continued to fall across the developed world, with rates in the US and the UK reaching pre crisis lows. As for commodities, they on the whole continued to struggle, though the better global economic growth did help the price of some industrial metals to rise.

Against this backdrop, SIGT performed well, both in absolute terms and in relation to the average return of its peers, though it should be noted that its mid cap holdings in the UK and lack of safe haven bonds did not serve it particularly well in the days following the Brexit referendum.

Indeed, the Brexit referendum was probably the first notable event of the year under review. Opinion polls had 'remain' overwhelmingly the favourite but were proven wrong. It seems that there were factors that the polls didn't pick up, such as the higher voter turnout among 'leavers'. Markets reacted violently, with sterling and equity markets, particularly mid caps, plummeting and Gilts soaring. The Bank of England, having predicted economic Armageddon in the event of a vote to leave, quickly lowered interest rates. Financial markets elsewhere around the world were also impacted.

However, equity markets soon bounced back, as it was quickly realised that the world had not fallen apart, and that weak sterling would in fact be positive for the UK economy and its companies, particularly those with overseas earnings. Furthermore, confidence and sentiment that had fallen in the months leading up to the vote, also bounced back, with pent up demand also providing an economic boost. The ten-year Gilt yield nearly touched 0.5% in August, but by December was back at 1.5%. Global equity markets rose almost in a straight line from the beginning of July and at the time of writing are still well supported. SIGT was overweight equities relative to its strategic asset allocation throughout this entire period and so was well positioned to benefit.

The other 'shocking' event of the year was Donald Trump's victory in the US presidential election. Once again, the pollsters got it wrong – 2016 was their annus horribilis – though unlike Brexit, the market reaction was not so extreme. Many of Trump's pre-election pledges had been pro-growth, and perhaps it was these that financial markets quickly began to discount. That said, President Trump has thus far struggled to push through these pro-growth pledges, with successes being limited to restrictions on foreign visitors and new security measures on certain airlines.

On the economic front, the Fed raised interest rates twice, in December and March. These increases were justified by the strengthening economy, which was continuing to put upward pressure on inflation. However, the increases also put upward pressure on the US dollar, which helped to dampen imported inflation pressure. We may well be seeing the first signs that the 'race to debase' is being replaced by the 'race to rebase', meaning that central banks are starting to become more concerned with normalisation of monetary policy than with stimulating economies via weak exchange rates. Thus far, of the major developed economies, only the US has raised rates, but it also appears that the case for increases in other countries is strengthening.

Over on the continent, economic prospects also continued to improve. While unemployment in the US, the UK and Japan peaked shortly after the end of the global financial crisis, in the Eurozone it did not peak until 2013. Furthermore, the European unemployment rate peaked at 12%, whereas peaks elsewhere had been much lower. Thus, although unemployment has been falling since 2013, it has only in the second half of 2016 fallen below 10%. The implication of this is that monetary policy in the Eurozone remained very loose and indeed bond buying programs were extended. Encouragingly, Eurozone core inflation that began the year at 0.7% finished it at 1.2%. This is still below the ECB's target, but at least it has been heading in the right direction.

On the political front, aside from the Brexit referendum, risks remained elevated, though towards the end of the year pro-European, centrist rivals defeated populist candidates in both France and Holland. As a result the Euro finished the year on a strong note.

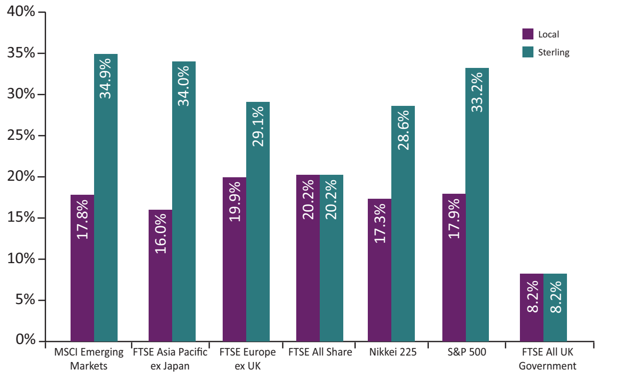
While inflation is now either normal or moving in the right direction in the US, the UK and the Eurozone, it has been a different story in Japan. The strong Yen has pushed core inflation back into negative territory, and it seems that Bank of Japan governor Kuroda has come close to conceding defeat. It would appear that even the loosest of monetary conditions is hard placed to confront the deflationary pressures of a shrinking population.

As for the emerging world, there were signs of an improving picture, though for different reasons in different countries. Brazil and Russia had been battling with double-digit inflation, but both saw levels fall to mid single digits by the end of the year under review. China on the other hand had the opposite problem, with core inflation in early 2015 well below the central bank's target. Since then, inflation has been rising, and the first few months of 2017 have seen it stable around 2%. As a result of the improving inflation picture, emerging market equities as well as currencies have on the whole been strengthening, having been relatively weak for a number of years previously.

To conclude, the year was a good one for risk assets, and for SIGT, which was positioned to benefit from such a backdrop. As we had noted last year, the large outflows from equities did indeed turn out to be a contrary indicator.

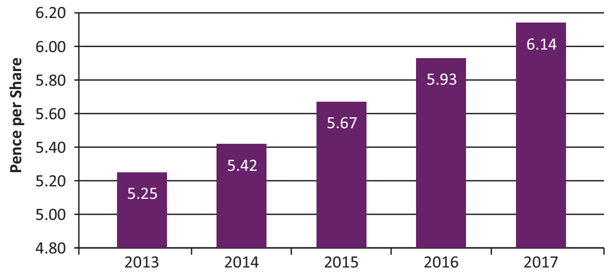
Major financial market total returns

for the 12 month period to 30 April 2017



Source: Bloomberg. Total returns expressed in sterling and local currency

Annual dividends expressed as pence per share*



Source: Seneca Investment Managers/Bloomberg
*By financial year ending 30 April

Performance

Markets made solid advances over the period despite the major political shocks of the Brexit referendum and the result of the US Presidential Election. Investors in the United Kingdom benefitted from seeing overseas equity market strength being further boosted by the extreme weakness of sterling in the aftermath of the decision taken to leave the European Union.

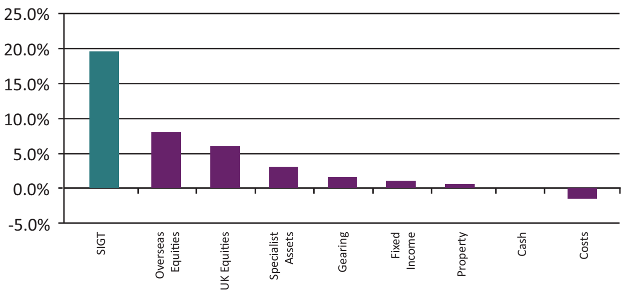
Against this background the portfolio produced a very strong return, albeit the concentration on UK mid cap equities, coupled with having no exposure to developed market sovereign bonds, proved challenging in the weeks immediately after the Brexit vote. However, by the period end SIGT had produced a net asset value (NAV) total return of +19.6%. The share price total return was +20.7%, as the shares moved to trade at a slightly higher premium to NAV by the year end. Both outturns were well ahead of the benchmark return (3 month LIBOR +3%) of +3.5%. In addition, this performance compared reasonably well with most of the comparator indices, whose returns were: FTSE All-Share Index +20.1%, FTSE All-World ex UK Index +32.0%, FTSE UK Private Investor Balanced Index +18.7%, and FTSE Gilts All-Stocks Index +8.2%. As in previous years returns were delivered with a level of volatility that was significantly below that of the FTSE All-Share Index (as measured by Morningstar).

One of the primary objectives for your Managers is to provide shareholders with a good and growing dividend, which rises in real terms. Income from the portfolio is generated from a diversified range of assets, where security of income and potential for this to rise is a major focus of our investment approach. It is therefore pleasing to report that dividend growth of +3.5% has been achieved this year, which compares favourably with UK CPI (EU harmonised) inflation of +2.7%. This uplift in dividends marks the fourth consecutive year of rises above the rate of inflation, which has been achieved whilst also providing for increases in the Company's revenue reserve in each of these years.

As can be seen in the table below, all asset classes made a contribution to the overall return achieved, with overseas equities being the largest contributor, producing a return of +24.9%, as portfolio holdings benefitted from both strong underlying markets, but also the weaker pound. However, the value oriented managers we invest through to access overseas equity markets generally struggled to match their respective indices. We firmly believe that the value style will enhance returns over the longer term, and are encouraged by the level of relatively low valuations and above market yields we see in the portfolios of the third party managers used.

Contribution analysis by asset class

for the 12 month period to 30 April 2017



Source: Seneca Investment Managers, contribution to total return

UK equities, in which we invest directly, also made a major contribution to the overall return, although the emphasis on mid-sized companies proved challenging in the immediate aftermath of the Brexit referendum, as mid-caps were sold aggressively by investors in favour of larger companies with significant overseas earnings. However, as the period progressed the underlying strong fundamentals of portfolio holdings were better appreciated by the market, leading to a strong rally in share prices. By the end of the period the UK equity portfolio had returned +18.4%.

Specialist asset holdings, which consist of infrastructure, private equity, property and specialist financials, also made a positive contribution, with the high levels of income generated providing a major positive impact on the returns achieved in this area. The outturn for specialist assets was +15.1% over the year.

All fixed income holdings gave positive returns over the period. Emphasis throughout the year has been concentrated on investment in high yield corporate bonds and emerging market sovereign debt, with both being areas where we find value. We continue to believe that developed market 'safe haven' bonds, such as gilts, offer very unattractive yields and returns are likely to be challenged going forward by rising inflation and higher interest rates. Fixed income holdings produced a return of +13.5%.

Contribution analysis by individual holdings

in the 12 month period to 30 April 2017

Top 6 Contributors	Asset Class	Contribution to Return
Fair Oaks Income Fund	Specialist Financial	1.06%
Aberdeen Asian Income Fund	Asia Pacific ex Japan	0.80%
Diploma	UK Equities	0.78%
BlackRock World Mining Trust	Global	0.72%
Schroder Oriental Income Fund	Asia Pacific ex Japan	0.71%
Morgan Advanced Materials	UK Equities	0.71%

Bottom 6 Contributors	Asset Class	Contribution to Return
BT Group	UK Equities	-0.51%
International Personal Finance	UK Equities	-0.44%
Marks & Spencer	UK Equities	-0.12%
BHP Billiton	UK Equities	-0.12%
Schroder European Alpha Income Fund	Europe ex UK	-0.10%
Halfords	UK Equities	-0.09%

Source: Seneca Investment Managers

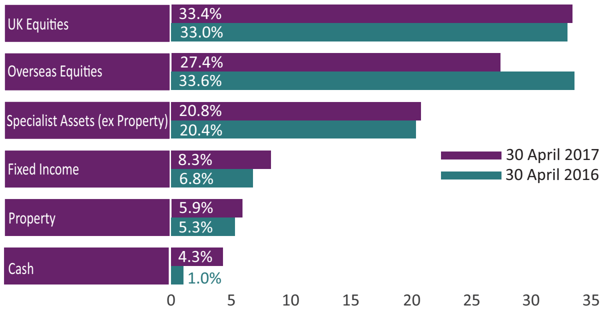
The broad ranging nature of portfolio returns during the year is well demonstrated by the list of holdings making the largest contributions. It is also pleasing to note that there were only two major detractors to performance, namely BT Group, which was hit by accounting problems in its Italian business; and International Personal Finance, which was sold following a proposed regulatory development severely impacting the prospects for its Polish lending business.

Asset Allocation

SIGT's strategic asset allocation is positively oriented, with 60% in equities, 15% in specialist assets (formerly 'alternatives'), 15% in fixed income and 10% in property. As of the end of the review period, the tactical asset allocation targets in the four segments were 61.0%, 22.2%, 8.2% and 5.8% respectively, with a cash target of 2.8%.

Portfolio asset allocation

comparison between 30 April 2016 and 30 April 2017



Source: Seneca Investment Managers

The most significant change in asset allocation over the period was a decrease in the equities overweight from 5%pts to 1%pt. This reduction was made in four steps of 1%pt each in the latter part of the review period, and came mostly in overseas equities. As equity markets rose, valuations became less compelling, and thus the case for being quite so overweight was reduced. Given that sterling looked significantly undervalued, and that the case for maintaining the positions in SIGT's UK mid-caps was still strong, it made sense that we reduced overseas equities rather than domestic ones. Specifically, most of the reduction was made in Europe, where SIGT had been most overweight.

Elsewhere, the increase to fixed income was represented both by a new allocation to emerging market local currency debt, as well as to increases in existing high yield bond funds.

UK Equities

Your Manager's value approach continues to unearth companies with attractive valuations, which are also good quality businesses, as demonstrated by high levels of return on equity, strong balance sheets and dividends that are higher than we would expect given their quality. Focus remains on the mid-cap part of the UK market (FTSE 250), where companies tend to be less well researched than the larger (and over owned) FTSE 100 companies.

Exposure to UK equities remained slightly below the long term strategic asset allocation throughout the period, with much of the UK market offering no better than fair value and certain parts looking expensive. However, during the period we identified several opportunities to invest in new holdings which we felt offered the sought after combination of low valuations and good quality.

New positions were initiated in soft drinks manufacturer and distributor Britvic; Conviviality, the UK's largest franchised off licence and convenience store operator, and largest UK independent wholesaler to the on-trade; and Essentra, the manufacturer and distributor of specialist plastic, fibre, foam and packaging products. We also made new commitments to One Savings Bank, the specialist buy to let mortgage lender; RPC, the provider of specialist plastic packaging solutions to a wide range of industries; and Ultra Electronics, which applies specialist electronic and software capabilities in demanding environments to numerous industries including aerospace, defence, cyber security, transport and energy.

Funding for these purchases was provided by the sale of BHP Billiton and Royal Dutch Shell, with the latter worthy of comment as it had only been bought at the end of 2015 following the dramatic fall in oil prices, which had resulted in the company's shares trading at levels we felt were discounting too much, leaving the shares looking very cheap. However, the value offered on acquisition was quickly realised as the shares rallied strongly, at which point we sold the position due to our concerns over the longer term prospects and underlying quality of the business.

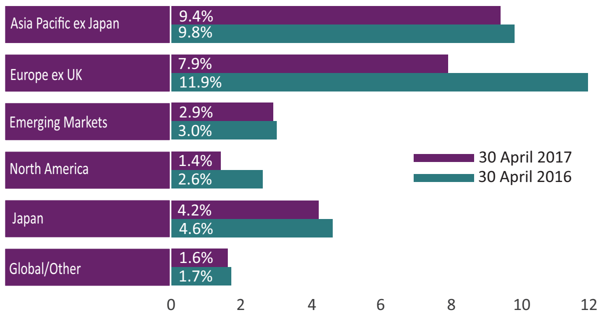
Other positions sold during the period included International Personal Finance, where business prospects were severely affected by proposed changes to the regulatory environment in Poland, which makes up around 50% of the company's profits; and Ashmore, the emerging market debt fund manager, where the valuation was looking stretched following a period of strong share price performance.

The market volatility post Brexit provided the opportunity to add to positions in several mid-cap holdings and this has proven beneficial to returns as prices have subsequently rallied strongly, supported in many cases by trading updates ahead of market expectations.

Overseas Equities

Overseas equity fund selection remains biased towards managers adhering to a value approach. We are also attracted to managers who have proven defensive in less buoyant market conditions and who can deliver returns with lower volatility than their benchmark indices. Managers must also be able to demonstrate a high level of 'active share', with positions held being as a result of high conviction decisions, rather than just owning large index constituents due to their significance within a benchmark.

Movement in Overseas equity allocations
over the 12 month period to 30 April 2017



Source: Seneca Investment Managers. All figures are expressed as a percentage of gross assets.

Overall exposure to overseas equities has been reduced, as we locked in the very strong returns, particularly those seen in the period post Brexit, when overseas market advances had been further supported by sterling weakness. This strength, we felt, had resulted in some areas reaching valuations that had become less compelling and thus profit taking was warranted.

During the period we have moved to further consolidate holdings, a process started in the previous financial period, to ensure that the confidence we have in the third party managers used is fully reflected in the portfolio.

This consolidation process led to the exit from investments with BlackRock Continental European Income Fund and Schroder European Alpha Income Fund. Proceeds from these sales were deployed in a new position in the more clearly value oriented Invesco Perpetual European Equity Income Fund. However, this position was subsequently reduced as the weighting to European equities was lowered later in the period following strong performance and to reflect our concerns over the political outlook in Europe. Nonetheless, the portfolio remains overweight with valuations for European companies still appearing attractive, particularly as the economy is only in the early stages of recovery.

US equity exposure, where an underweight position had been held at the start of the period, was further reduced on valuation grounds. This reduction in weighting was achieved through the sale of the IShares MSCI USA Dividend Fund, with proceeds being only partly redeployed into the existing holding in the Cullen Global North American High Dividend Value Fund. Later in the period, as the US market continued to advance and the dollar strengthened against sterling, the Cullen position was also reduced.

Asian and emerging market returns have been amongst the strongest over the period, and this has been beneficial to your Company's overall returns, with a structurally (long term) overweight position being held in Asian equities. As with other overseas fund holdings some consolidation of holdings has been carried out. To this end Liontrust Asian Equity Income Fund together with Schroder Oriental Trust were sold. Whilst both managers had performed well, we felt they were not fully committed to the value investing style. The proceeds from these sales were committed to further investment in the Aberdeen Asian Equity Income Fund, which we were able to buy at a discount to net asset value, following a period where the manager's performance had been relatively poor, which is at odds with a good longer term track record.

There was little activity in the Japanese positions held during the period, although, as with other overseas equity positions, profits were taken to lock in the strong returns achieved. We continue to believe that the Japanese market is attractive due to changes in corporate culture, which offer excellent opportunities for active, value oriented investment managers.

Specialist Assets (including property)

There have been several significant changes within the specialist assets portfolio during the period, with two of the specialist financial holdings, namely Ranger Direct Lending and SQN Asset Finance, being sold. In both cases we became concerned about their asset quality, which brought into question the thoroughness of the due diligence being carried out by the managers. However, we still believe that there are attractions in supporting investment in direct lending, where traditional banks have pulled back their operations over recent years. We therefore added two new positions in the form of Funding Circle SME Income Fund and RM Secured Income Fund. Both companies are lending to the SME (small and medium enterprise sector) and originate their own loans, which we feel is important in obtaining clarity over the level of due diligence being carried out to protect investors and maximise returns.

Within infrastructure related assets Bluefield Solar Income Fund was sold in favour of a small further investment in John Laing Environmental Assets Group. In addition, a new investment was made in International Public Partnerships Limited. In both cases we are attracted to the significant opportunities available to the companies across a wide range of infrastructure assets. We also believe that both companies are conservative in valuing their existing assets.

There were only two significant changes made to property holdings over the period; firstly, the holding in GCP Student Living was sold, having given a good capital return since its IPO in May 2013, but where the yield had fallen to a less attractive level (below 4%); secondly, a new investment in Civitas Social Housing was made, with the company seeking to invest in a broad portfolio of social homes, largely expected to be bought from housing associations wanting to free up capital to invest in new social housing projects.

The most significant private equity investment is your Company's unquoted shareholding in A J Bell Holdings (AJB), which is one of the primary providers of self-invested personal pensions (SIPPs) and now also one of the UK's largest investment platforms and retail stockbrokers. The carried value for this investment was last increased in May 2015 to 600p per share (from 575p) following a partial sale of the holding. The carried value has since been reviewed but has remained at 600p throughout the current year. However, the company released its full year results (to 30 September 2016) in December 2016. These results demonstrated significant growth in both client numbers (up 17%) and assets under administration (up 22%). In addition pre-tax profits and revenue increased by 8% and 13% respectively. This progress in profitability and key business metrics is being closely monitored. We are cognisant that the current carried value, which equates to a prospective price earnings ratio (PER) of 15.9x and a yield of 4.3% (to 30 September 2017, based on Shore Capital Stockbrokers forecasts) compares favourably with its main quoted comparator, Hargreaves Lansdown, which was trading as at the end of April at a prospective PER of 32x and yield of 2.9% (source: Bloomberg consensus forecast). AJB reports interim results to 31 March 2017 in late May and the carried value will be reviewed subsequently.

Fixed Income

Exposure to fixed income was increased during the period, with additions to the existing holdings in Royal London Short Duration High Yield Bond Fund, a very defensively positioned sub investment grade fund; and in Templeton Emerging Markets Bond Fund, which offers a yield of 9% from a value oriented strategy investing in EM sovereign local currency debt. We feel there remains significant potential for capital gains as better fundamentals for emerging market economies become more widely appreciated. Part of this increased investment in the Templeton fund was funded by the Maya Gold & Silver Debenture, which matured at par at the end of March. The fixed income holdings remain absent of any developed market sovereign bond exposure. We consider these 'Safe Haven' bonds to offer very little value and current yields do not compensate investors for the threat of rising inflation and normalisation of interest rates, a process which has already begun in the United States.

Outlook

The global economy has been strengthening in recent months, which means that we are now further into the current business cycle that begun in 2009. Indeed, the current cycle has already been longer than average, though to a great extent this is a function of the severity of the contraction that preceded it – the worse the 'accident', the longer the recovery. We thus feel that it is now time to start thinking about the next global economic contraction, which we anticipate will occur in or around 2020. This prediction is based on an extrapolation of current employment and inflation trends, as well as taking account of other factors such as structural slack in labour markets. If our timing is correct, the chances of which are slim, the current cycle will have lasted 11 years, much longer than a typical cycle.

As for asset allocation, we are at the point in the cycle when equity returns should start to fall, albeit remain positive, and so we would anticipate the reductions in equity weights that we have implemented in recent months to continue for the next two years. This would mean that by the time economic growth is showing signs of more persistent decline, SIGT should be materially underweight.

It is hard to say how severe the next downturn will be. There are some who argue that it will be mild, because this time monetary authorities have the tools to prevent economic weakness causing stress in financial markets. Others argue that it will be more severe, because debt levels are now higher and central banks will have less scope to lower interest rates or expand already bloated balance sheets.

Frankly, we do not know which is more likely, but are fairly confident that the next economic downturn, however severe, will see declines in equity markets. We will strive to protect investors from such through what we believe is a sensible asset allocation framework that enables SIGT to reduce market risk, perhaps significantly, when deemed appropriate.

Seneca Investment Managers Limited

13 June 2017

Ten Largest Holdings

	Valuation 2016 £'000	Purchases £'000	(Sales) £'000	Appreciation/ (depreciation) £'000	Valuation 2017 £'000
Aberdeen Asian Income	1,640	1,490	(508)	376	2,998
Royal London Short Duration Global High Yield Bond [B]	1,240	1,276	(118)	(43)	2,355
European Assets Trust	2,279	128	(357)	280	2,330
Schroder Asian Income Maximiser [B]	1,009	1,186	(79)	186	2,302
AJ Bell [A]	2,100	-	-	-	2,100
Liontrust European Enhanced Income [B]	0	1,950	(346)	308	1,912
Prusik Asian Equity Income [B]	0	1,694	-	196	1,890
Coupland Cardiff Japan Income and Growth Trust	1,590	-	(81)	287	1,796
Invesco Perpetual European Equity Income Fund [B]	0	2,719	(1,314)	390	1,795
Franklin Templeton Emerging Markets Bond Fund [B]	846	752	-	61	1,659

[A] Unquoted.
[B] Open-ended.

At 30 April 2017 these investments totalled £21,137,000 or 28.99% of the portfolio.

A J Bell Holdings PLC – Unquoted Investment

A J Bell Holdings (A J Bell) is one of the leading providers of pension administration services in the United Kingdom. The company offers online, low cost Self Invested Personal Pension (SIPP) services, together with offering third party SIPP administration solutions and other services. The Company has evolved to be one of the UK's largest investment platform and retail stockbrokers.

In the company's financial year ended 30 September 2016, revenues increased by 13% to £64 million, whilst pre-tax profits were £16.8 million, an increase of 8%. The company paid dividends of 25.75p, an increase of 1% over the previous year. Net assets attributable to the company were £53.8 million (2015: £52.2 million), whilst assets under administration increased by 22% to £31.8 billion.

In May 2015 65,000 shares were sold at 600p to Woodford Patient Capital Trust, as part of a larger transaction. Following a review by your Board, the carried value of the remaining 350,000 shares was increased to 600p on 28 May 2015.

The holding of 350,000 A J Bell shares (2016: 350,000 shares) represents 0.9% of the shares in issue. These shares have a book cost of £365,275 (2016: £365,275) and were valued at £2,100,000 (2016: £2,100,000) based on the Directors' valuation as at the year end.

Investment Portfolio

As at 30 April 2017

Company	Sector	Asset Class	Valuation £'000	Total Assets %
Aberdeen Asian Income	Investment Companies	Overseas Equities	2,998	4.11
Royal London Short Duration Global High Yield Bond [B]	Unit Trust & OEICS	Fixed Income	2,355	3.23
European Assets Trust	Investment Companies	Overseas Equities	2,330	3.20
Schroder Asian Income Maximiser [B]	Unit Trust & OEICS	Overseas Equities	2,302	3.16
AJ Bell [A]	Special & Other Finance	Specialist Assets	2,100	2.88
Liontrust European Enhanced Income Inst INC [B]	Unit Trust & OEICS	Overseas Equities	1,912	2.62
Prusik Asian Equity Income [B]	Unit Trust & OEICS	Overseas Equities	1,890	2.59
Coupland Cardiff Japan Income and Growth Trust	Investment Companies	Overseas Equities	1,796	2.46
Invesco Perpetual European Equity Income Fund [B]	Unit Trust & OEICS	Overseas Equities	1,795	2.46
Franklin Templeton Emerging Markets Bond Fund [B]	Unit Trust & OEICS	Fixed Income	1,659	2.28
Top ten investments			**21,137**	**28.99**
TwentyFour Select	Investment Companies	Fixed Income	1,467	2.01
Goodhart Partners Horizon Michinori Japan Equity [B]	Unit Trust & OEICS	Overseas Equities	1,418	1.94
Doric Nimrod Air Two	Investment Companies	Specialist Assets	1,403	1.92
Aberdeen Private Equity	Investment Companies	Specialist Assets	1,371	1.88
Fair Oaks Income	Investment Companies	Specialist Assets	1,261	1.73
Halfords Group	General Retailers	UK Equities	1,222	1.68
Senior	Aerospace & Defence	UK Equities	1,222	1.68
Phoenix Group Holdings	Life Insurance	UK Equities	1,219	1.67
Marston's	Travel & Leisure	UK Equities	1,212	1.66
BlackRock World Mining Trust	Investment Companies	Overseas Equities	1,177	1.62
Top twenty investments			**34,109**	**46.78**
John Laing Environmental Assets Group	Investment Companies	Specialist Assets	1,152	1.58
Morgan Advanced Materials	Electronic & Electrical Equipment	UK Equities	1,152	1.58
Bovis Homes	Household Goods	UK Equities	1,149	1.58
OneSavings Bank	General Financial	UK Equities	1,139	1.56
Essentra	Support Services	UK Equities	1,135	1.56
Britvic	Beverages	UK Equities	1,131	1.55
National Express	Travel & Leisure	UK Equities	1,125	1.55
LondonMetric	UK REIT	Property	1,119	1.53
Marks & Spencer	General Retailers	UK Equities	1,118	1.53
Somerset Emerging Markets Dividend Growth [B]	Unit Trust & OEICS	Overseas Equities	1,109	1.52
Top thirty investments			**45,438**	**62.32**

Company	Sector	Asset Class	Valuation £'000	Total Assets %
Intermediate Capital Group	General Financial	UK Equities	1,108	1.52
Magna Emerging Markets Dividend [B]	Unit Trust & OEICS	Overseas Equities	1,107	1.52
International Public Partnerships	Investment Companies	Specialist Assets	1,088	1.49
BT Group	Fixed Line Telecoms	UK Equities	1,082	1.48
Polypipe Group	Construction & Materials	UK Equities	1,075	1.47
Victrex	Chemicals	UK Equities	1,073	1.47
Legal & General	Life Insurance	UK Equities	1,071	1.47
Ultra Electronic Holdings	Electronic & Electrical Equipment	UK Equities	1,067	1.46
Arrow Global Group	General Financial	UK Equities	1,062	1.46
Dairy Crest	Food Producers	UK Equities	1,061	1.46
Top forty investments			**56,232**	**77.12**
Cullen North American High [B]	Unit Trust & OEICS	Overseas Equities	1,053	1.44
Diploma	Support Services	UK Equities	1,052	1.44
Kier Group	Construction & Materials	UK Equities	1,042	1.43
RPC Group	General Industrials	UK Equities	1,012	1.39
Conviviality	Food & Drug Retailers	UK Equities	970	1.33
DP Aircraft I	Investment Companies	Specialist Assets	959	1.32
Sequoia Economic Infrastructure	Investment Companies	Specialist Assets	956	1.31
RM Secured Direct Lending	Investment Companies	Specialist Assets	909	1.25
AEW UK REIT	UK REIT	Property	893	1.22
Custodian REIT	UK REIT	Property	886	1.21
Top fifty investments			**65,964**	**90.46**
Royal London Sterling Extra Yield Bond [B]	Unit Trust & OEICS	Fixed Income	840	1.15
Funding Circle SME Income Fund – C shares	Investment Companies	Specialist Assets	832	1.14
Primary Health Properties	UK REIT	Property	827	1.13
UK Mortgages	Investment Companies	Specialist Assets	823	1.13
Civitas Social Housing	UK REIT	Property	765	1.05
Blue Capital Global Reinsurance	Investment Companies	Specialist Assets	715	0.98
Greencoat UK Wind	Investment Companies	Specialist Assets	688	0.94
Policy Selection Assured [B]	Unit Trust & OEICS	Specialist Assets	621	0.85
Partners Group Global Opportunities [B]	Unit Trust & OEICS	Specialist Assets	446	0.61
Blue Capital Global Reinsurance Fund (Tender)	Investment Companies	Specialist Assets	308	0.42
Top sixty investments			**72,829**	**99.86**
Other investments			102	0.14
Total investments			**72,931**	**100.00**

With the exception of those companies' shares marked with a specific share class above, all investments are in the ordinary shares of the investee company.

[A] Unquoted.
[B] Open-ended.

Classification of Investment Portfolio

As at 30 April	2017 %	2016 %
Overseas Equities	28.6	33.9
UK Equities	35.0	33.3
Specialist Assets	21.6	22.6
Fixed Income	8.7	4.9
Property	6.1	5.3
	100.0	**100.0**

Cash is excluded from the Investment Portfolio.

Analysis of Investment Portfolio

	2017		2016	
As at 30 April	Valuation £'000	Valuation assets %	Valuation £'000	Valuation assets %
Listed	52,324	71.7	45,712	70.7
Open-ended	18,507	25.4	16,581	25.6
Unquoted	2,100	2.9	2,375	3.7
	72,931	**100.0**	**64,668**	**100.0**

Strategic Review

Introduction

This review is a part of the Strategic Report being presented by the Company under the guidelines for UK-listed Companies' Annual Reports, and is designed to provide information primarily about the Company's business and results for the year ended 30 April 2017. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Manager's Review on pages 5 to 9, which give a detailed review of the investment activities for the year and look to the future.

Business Model and Strategy

The business model and strategy of the Company is described below.

Investment Policy

The asset classes included in the Company's portfolio are UK and overseas equities, fixed income, property and specialist assets. The asset allocations vary around a strategic long-term position for each asset class with a view to adding value through tactical asset allocation within a range for each asset class. The strategic asset allocations and asset allocation ranges are as follows:

	Strategic Asset Allocation %	Asset Allocation Range
UK equities	35	15 - 60
Overseas equities	25	10 - 40
Total equities	60	25 - 85
Fixed income	15	0 - 40
Specialist assets	15	0 - 25
Property	10	0 - 25
Total	100	–

Ordinarily, exposure to overseas companies is achieved through the use of specialist collective investment schemes and products.

The Company will not invest more than 7.5% of gross assets in unquoted securities and will not hold more than 25% of its gross assets in cash.

The Company may borrow to gear the Company's returns when the Board believes it is in shareholders' interests to do so. The Company's existing borrowing policy allows gearing up to 25% of the Company's net assets. The Company's current credit facilities comprise a £7.0 million revolving loan facility which was drawn down as at 30 April 2017 (equivalent to 10.0% of its net assets) with a further £4.0 million undrawn facility available. Further details of the revolving loan facility are in note 11 to the financial statements. The Board believes these levels are appropriate for the Company at the present time.

Investment Approach

The Company seeks to achieve its investment objective referred to on page 1 through a policy of investing in a diversified portfolio comprising UK equities, overseas equities, fixed income, property and specialist assets. By investing in overseas equities as well as diversifying into property and specialist assets (specialist financial, private equity and infrastructure), the Company aims to take advantage of a wide range of investment opportunities and reduce the risk profile of the Company's portfolio.

Multi-Asset Value Investing

The starting point for all Seneca Investment Managers Ltd (SIML) clients is to determine what their specific long-term, or strategic asset allocation (SAA) should be, given the investment return and risk objectives. This represents how a particular client should be positioned in various asset classes on average over time. In the case of your Company, the SAA was approved by shareholders in January 2012.

In order to determine what the SAA should be for a particular client given its objectives, SIML assesses what it thinks the likely long-term returns will be for various asset classes and sub asset classes. To a great extent, SIML assumes that future long-term returns will be similar to past long-term returns. Also, SIML uses real returns which take account of the effect of inflation. As an example, since 1866, US equities have returned 6.4% per annum in real terms. While there may well be reasons why the returns in future could be slightly above or below this, SIML thinks that it makes most sense to assume that they will be in line with those in the past. SIML applies the same approach to equities elsewhere, whether in the UK, Japan or emerging markets as well as to bonds, and specialist assets. Some parts of the specialist assets sector do not have a long history so a little more guesswork is required. However, the long-term assumptions are robust and well-founded.

Armed with these long-term return estimates for various asset classes, SIML constructs an SAA such that it provides good diversification as well as the asset classes combining to generate the return objective desired. This SAA is reviewed periodically, but unless there is a very good reason why the long-term return estimate for a particular asset class might have changed, it remains fixed.

SIML seeks to add value in relation to these SAAs through tactical asset allocation (TAA), security selection and third party fund selection. All client portfolios divide into four parts: UK equities, overseas equities, fixed income and specialist assets (although for historic reasons property continues to be shown separately for the Company). In UK equities, SIML invests directly, with a focus on mid-sized companies. In overseas equities it invests in third party funds. In fixed income, it invests mostly in third party funds, although has the scope to go direct in the UK (gilts or investment grade bonds). Specialist assets, unlike equities or bonds, is a very heterogeneous asset class, constituting as it does various types of investment, and arguably should not be considered an asset class at all. Many of the specialist assets tend to be closed-ended fund structures such as real estate investment trusts (REITS) or renewable energy funds, where underlying assets are illiquid and do not lend themselves to being owned in open ended vehicles. SIML also seeks to add value from sector and trend research, which feeds into tactical asset allocation, security selection and third party fund selection.

There now exists an enormous body of work that has uncovered longer term predictabilities in markets. With respect to the performance of bond and equity markets, many of these relate to the business cycle. As for cross sectional returns the finding that high dividend yielding stocks tend to produce above-normal returns is often explained, not by them being higher risk, but by them being out of favour. Conversely, lower yielding stocks may be ones that have generated a lot of investor interest unjustifiably and thus are prone to a setback.

SIML seeks to put to use on behalf of clients much of the work that has been done over the decades with respect to understanding asset prices. Many of the findings relate future returns to some measure of present value, whether dividends and earnings in the case of equities or real interest rates in the case of bonds. It is trying to identify some measure of intrinsic value across all the assets in which it invests. This value driven approach can, SIML believes, deliver both superior long-term returns and a defensive element to investments which, at a very fundamental level, are 'cheap' at the time of acquisition.

The majority of the Company's investments are in listed/quoted securities. However, with the prior consent of the Board, SIML may invest in unquoted securities where it believes there exists a specific investment opportunity. Unquoted investments will not represent more than 7.5% of the portfolio by value, measured at the time of investment. Additionally, a number of investments may be made in unlisted collective investment schemes, such as unit trusts, in order to gain exposure to specialist sectors. Currently there is one unquoted holding in the portfolio, representing 2.7% of total assets.

Generally, SIML seeks to invest no more than 5% of the Company's total assets in any one security and to hold no more than 10% of the equity of any one company (although it may deviate from such guidelines from time to time).

SIML expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic conditions or other factors so warrant, SIML may, with the Board's consent increase its position in cash and money market instruments.

The Company does not directly invest in, or use, derivative strategies (for efficient portfolio management or otherwise); however, certain of the Company's investments may themselves incorporate derivatives. In the event of adverse market movements this may result in the Company being exposed to the full value of such negative movements. SIML seeks to minimise this risk, and to achieve the Company's outcome orientated investment objective, by investing in a diversified range of assets, including assets with a low correlation to equity markets.

The Company does not currently intend to enter into any direct currency hedging arrangements. In some instances, local currency returns may be hedged into sterling within the individual holding. SIML regards this range of currency exposure as part of the diversification of risk within the portfolio.

Principal Risks and Uncertainties and Risk Mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks. The principal risks faced by the Company are set out below.

Investment and Strategy Risk The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of SIML. Inappropriate strategy, including country and sector allocation, stock selection and the use of gearing, could lead to poor returns for shareholders. To manage this risk the Board requires SIML to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular countries or factors specific to particular sectors. SIML also provides the Board and shareholders with monthly factsheets.

Market Risk The Company's assets consist principally of listed equities and fixed income securities and its greatest risks are in consequence market-related. In addition to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements, the Company's use of gearing necessarily amplifies this risk. The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with SIML.

Financial Risk The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk and liquidity and credit risk. Further details of these risks and the ways in which they are managed are disclosed in note 16 of the financial statements.

Earnings and Dividend Risk The earnings that underpin the amount of dividends declared and future dividend growth are generated by the Company's underlying portfolio. Fluctuations in earnings resulting from changes to the underlying portfolio or changes in the tax treatment of the dividends or interest received by the Company could reduce the level of dividends received by shareholders. The Board monitors and manages this risk by considering detailed income forecasts prepared by SIML and the Company Secretary at each Board meeting and when the quarterly dividends are declared.

Operational Risk The Company relies upon the services provided by third parties and is reliant on the control systems of SIML and the Company's other service providers. The security and/or maintenance of, inter alia, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by SIML and the Company Secretary and reviewed by the Audit Committee at least once a year. The Custodian, State Street Bank and Trust Company, produces an internal control report each year which is reviewed by its auditors and gives assurance regarding the effective operation of controls. A summary of this report is reviewed by the Audit Committee.

Regulatory Risk The breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. Breach of Sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains. The Company Secretary monitors the Company's compliance with the Listing Rules of the UK Listing Authority and Sections 1158 to 1159 of the Corporation Tax Act 2010. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

Key Man Risk On a day to day basis, Alan Borrows & Peter Elston exercise investment oversight responsibility in regard to the Company, implementing team research ideas, managing cash flows and the revenue account, and discharging other day to day responsibilities. The loss of either or both of these senior individuals could have a material effect on the Company's performance. However, in order to reduce this key man risk, SIML has operated a team approach to fund management, with each member of the five strong highly experienced investment team contributing to the performance of the Company through their research specialisations.

Going Concern

The Company's Articles of Association require a continuation vote to be proposed at each Annual General Meeting of the Company. In the event that any such resolution is not passed, then the Directors will be required to bring forward proposals to liquidate, open-end or otherwise reconstruct the Company. The Directors have considered the application of the 2014 Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts, which states that, even if an investment company is approaching a wind-up or continuation vote and shareholders have yet to vote on the issue and provided that the board has not concluded that there is no realistic alternative to winding up the company, it will usually be more appropriate for the financial statements to be prepared on a going (rather than non-going) concern basis.

In assessing the Company's ability to continue as a going concern the Directors have also considered the Company's current investment objective (see page 1), proposed change to the investment objective (see page 3), risk management policies (see pages 15 and 16), capital management (see note 17 to the financial statements), the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for at least 12 months from the date of this report. In addition, the Board has had regard to the Company's investment performance (see graph on page 17), ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with shareholders by the Company's advisers) and the introduction of the Discount Control Mechanism ("DCM") described in the Chairman's Statement (which the Directors believe further enhances the Company's appeal to investors).

Based on their assessment and considerations, the Directors have concluded that they should continue to prepare the financial statements on a going concern basis and the financial statements have been prepared accordingly.

Resolution 8 at this year's AGM represents the annual continuation vote by shareholders on the Company's future. The Board believes this resolution to be in the best interests of the Company and its members as a whole, and strongly recommends that shareholders should vote in favour of Resolution 8 as it intends to do in respect of its own beneficial shareholdings.

Viability Statement

In accordance with the provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a three year period from the date that this Annual report is due to be approved by shareholders. This period was selected as it is considered a reasonable time horizon to consider the continuing viability of the Company and a suitable period over which to measure the performance of the Company against its benchmark. The Directors believe this period to be appropriate notwithstanding that they will be required by the Articles of Association to put forward a proposal for the continuation of the Company at the forthcoming AGM as they have no reason to presume that such resolution will not be passed by shareholders.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 15 and 16, in particular investment and strategy, market, earnings and dividend, operational and financial risks and the effectiveness of any mitigating controls in place. In undertaking this review, the Board has also considered the proposed amendment to the Company's investment objective in the current environment and the introduction and effectiveness of the DCM, as well as the income and expenditure projections and the liquidity of its portfolio, the effects of any significant future falls in investment values on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors. The Company is an investment trust whose portfolio is principally invested in readily realisable listed securities which could be sold to meet funding requirements if necessary.

Based on the foregoing, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet the liabilities as they fall due over the three year period to the Annual General Meeting in 2020.

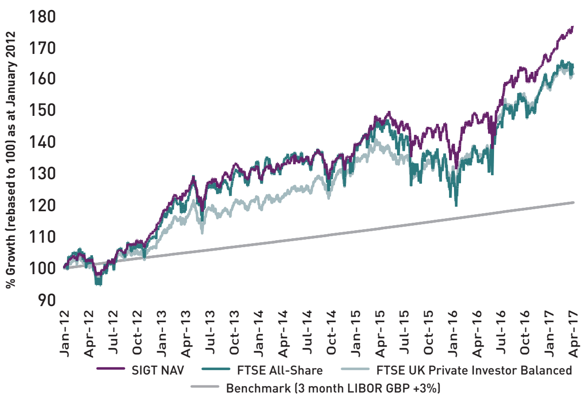
Performance Measurement and Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. More information on Key Performance Indicators is noted in the Chairman's Statement on pages 3 and 4. The key performance indicators are as follows:

- **Performance measured against the benchmark, relevant indices and peers**
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmark, relevant indices and peers.

Cumulative Growth Since Change In Investment Policy

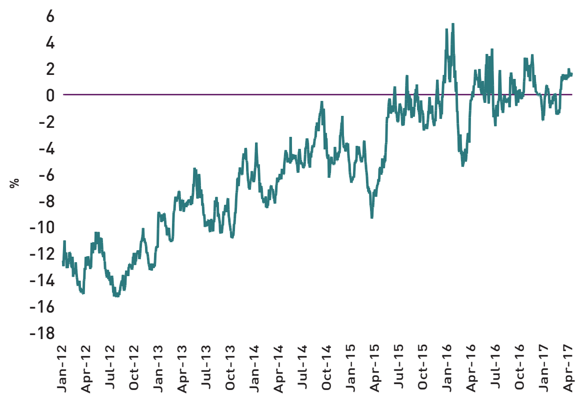
NAV Total Return, GBP



Sources: Cantor Fitzgerald/Morningstar

- **Premium/(Discount) to net asset value ('NAV')**
  At each Board meeting, the Board monitors the level of the Company's premium/(discount) to NAV. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange.

Company Premium/(Discount) % (based on cum income NAV)



Sources: Cantor Fitzgerald/Morningstar

- **Revenue earnings and dividends per share**
  The Board reviews a revenue forecast on a quarterly basis to determine the quarterly dividend.

- **Ongoing charges**
  The ongoing charges are a measure of the total expenses incurred by the Company expressed as a percentage of the average shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.

Social, Community, Employee Responsibilities and Environmental Policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Company's Manager to deliver against these objectives, they have also requested that the Manager take into account the broader social, ethical and environmental issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

As an investment trust with its current structure the Company has no direct social, community, employee or environmental responsibilities of its own.

At 30 April 2017 there were three male Directors. The Company has no employees so does not require to report further on gender diversity.

By order of the Board
Steven Cowie
Company Secretary
13 June 2017

Your Board

The Directors, all of whom are non-executive and independent of the Investment Manager, supervise the management of Seneca Global Income & Growth Trust plc and represent the interests of shareholders.

Richard Alexander McGregor Ramsay

Independent Non-Executive Chairman

Age: 67

Length of service: 4 years 3 months. Appointed a Director on 2 April 2013 and Chairman on 3 September 2013

Experience: Formerly an investment banker with considerable experience of the investment trust sector gained as a Managing Director at Barclays de Zoete Wedd and a director at Intelli Corporate Finance. His experience also covers the fund management sector as a director with Ivory & Sime, the leisure sector as finance director at Aberdeen Football Club, the energy sector as a managing director at Ofgem and the public sector as a director at the Shareholder Executive. He is currently chairman of Northcourt and a director of Castle Trust and URICA, all recent start-ups in the financial services sector; and chairman of Wolsey Group, a provider of finance to house builders. Mr Ramsay is also a director of John Laing Environmental Assets Group Limited

Last re-elected to the Board:
7 July 2016

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £24,500 per annum

All other public company directorships:
John Laing Environmental Assets Group Limited

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
133,014 Ordinary Shares

Ian Richard Davis

Independent Non-Executive Director and Chairman of the Audit Committee

Age: 57

Length of service: 12 years 8 months. Appointed a Director on 1 November 2004 and Chairman of the Audit Committee on 15 December 2004

Experience: Formerly a director of Corporate Finance with Hoare Govett Limited until 2002 having previously worked in Equity Capital Markets at De Zoete Bevan Limited and corporate finance at Baring Brothers & Co. Limited. Prior to this he qualified as a chartered accountant with Price Waterhouse. Mr Davis is also a non-executive director of the Wintech Group Limited

Last re-elected to the Board:
7 July 2016

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £22,000 per annum

All other public company directorships:
None

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
92,796 Ordinary shares

James Russell McCulloch

Independent Non-Executive Director

Age: 62

Length of service: 2 years 5 months. Appointed a Director on 2 January 2015

Experience: Previously Executive Chairman of Speirs & Jeffrey Ltd with over 30 years' experience in private client investment and portfolio management. He is a chartered FCSI having previously qualified as a Chartered Accountant with Coopers & Lybrand. Mr McCulloch is a non-executive director of the Wealth Management Association and a Trustee of Foundation Scotland.

Last re-elected to the Board:
9 July 2015

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £20,000 per annum

All other public company directorships:
None

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
95,000 Ordinary shares

Investment Manager

Seneca Investment Managers Ltd ("SIML")

SIML is based in Liverpool with a national client base. Investors range from discretionary private client managers and personal investors through to financial advisers and institutions such as pension funds and charities. The firm specialises in multi-asset investing.

Where SIML differs from other providers of multi-asset investment products is in its distinctive 'value' based approach. This means the firm prides itself on the ability to identify and invest where there is both quality and unrecognised value.

SIML creates portfolios which combine shares in companies (equities) with fixed income investment vehicles (bonds or debts) and a wide range of specialist assets*. It gains exposure to these areas either through open- and closed-ended third party funds or, as in the case in the UK, directly in listed companies. SIML believes its "Multi-Asset Value Investing" approach gives it the edge in delivering the right outcomes for its investors.

The firm has a team of five highly experienced investment professionals. Further directors and staff focus on management, marketing, compliance and operational roles, whilst the company benefits from the involvement of a strong team of non-executive directors, all with extensive experience of investment businesses. Together the team holds a substantial minority share in the business, and has significant personal investments in the funds it manages.

SIML adopts a team approach to fund management. Each member of the team specialises in a particular area of research: asset allocation, UK equities, overseas equities, fixed income and specialist assets*. Research ideas, all of which must exhibit 'value' characteristics, are subject to a strict process of team approval before inclusion in portfolios. Two team members are assigned an oversight role on each portfolio, so as to ensure the implementation of approved research ideas, and for purposes of cash flow and income management.

SIML has a heritage stretching back to 2002 when it established two multi-asset unit trusts – now open ended investment companies (OEICs) – where investors pool their money, closely followed by what is now called Seneca Global Income & Growth Trust plc, your Company. In addition, SIML manages segregated accounts for institutional investors.

Alan Borrows – senior fund manager and fixed income research specialist

Alan was one of the founders of what is now SIML in 2002. He had previously been involved in a senior role on the Merseyside Pension Fund, one of the largest UK local authority pension schemes.

Alan has research responsibility for fixed income positions in SIML's portfolios, and has had oversight responsibility for the Company since 2005, a role he now shares with Peter Elston.

Peter Elston – chief investment officer and asset allocation research specialist

Peter's research responsibility for SIML is asset allocation.

Having joined the team as global investment strategist in November 2014, Peter was appointed chief investment officer in April 2015 and to the board of SIML in January 2016. He has overall responsibility for managing the firm's investment process and team.

He was appointed to share with Alan the direct oversight of the Company in 2015

Mark Wright – UK equity research specialist

Mark is responsible for UK equity research across SIML. Mark began his career at SIML after graduating from the University of York with a BSc degree in Economics.

Mark is a CFA Charter holder and an accredited member of the CFA Institute.

Richard Parfect – specialist assets research specialist

Richard applies our value driven approach to his specific focus on specialist assets across SIML.

Richard is a Fellow of the CISI and was a founder of what is now SIML in 2002. He previously worked as a UK equity analyst at Merseyside Pension Fund and started his career at Neilson Cobbold.

Tom Delic – overseas equity and thematic research specialist

Tom is responsible for overseas equity, sector and thematic research across SIML. He has worked in the investment industry since 2009 after graduating from the University of Liverpool with a first class degree in Mathematics with Finance.

After beginning his career as an investment analyst for Royal Liver Asset Managers, he later joined SIML in October 2011.

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* Property, private equity, specialist financial and infrastructure

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 30 April 2017.

Results and Dividends

The revenue profit for the year after expenses, interest and taxation was £2,707,000 (2016: £2,387,000), equivalent to a return of 6.78p per share (2016: 5.98p). Three interim dividends of 1.52p were paid during the year and a fourth interim dividend of 1.58p was paid on 9 June 2017 to holders on the register at the close of business on 19 May 2017, making a total for the year of 6.14p (2016: 5.93p).

Principal Activity

The business of the Company is that of an investment trust investing in a diversified portfolio principally comprising UK and overseas equities, fixed income, property and other specialist assets. The Company seeks to take advantage of a wide range of investment opportunities and reduce the risk profile of the Company's portfolio.

Status

The Company is registered as a public limited company, and is an investment company as defined by Section 833 of the Companies Act 2006 and is registered in England and Wales with registered number 03173591. The Company is also a member of the Association of Investment Companies ("AIC").

The Company carries on business as an investment trust and has been approved as such by HM Revenue and Customs.

The Company intends to manage its affairs so as to be a qualifying investment for inclusion in an Individual Savings Account ("ISA") and it is the Directors' intention that the Company should continue to qualify.

Share Capital

The issued share capital at 30 April 2017 consisted of 41,281,361 Ordinary shares of 25p each and there were no Ordinary shares held in treasury. As at the last practicable date of 9 June 2017 the issued share capital consisted of 40,556,361 Ordinary shares of 25p each and 925,000 shares were held in treasury[1]. Each holder of Ordinary shares, excluding treasury shares, is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Companies Act 2006, section 992

The following further information is disclosed in accordance with the above:

- the Company's capital structure is summarised on page 20;
- details of the substantial shareholders in the Company are listed on page 21;
- the rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 24;
- amendment of the Company's Articles of Association and powers to issue non-pre-emptively or buy back the Company's shares require a special resolution to be passed by shareholders;
- there are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid; and
- there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors

Details of the current Directors of the Company are shown on page 18.

In accordance with the Articles of Association, Directors must offer themselves for re-election at least once every three years.

Having served on the board for more than nine years, Mr I R Davis submits himself for annual re-election in accordance with the principals of the UK Corporate Governance Code.

No Director has a service contract with the Company. No Directors were interested in any contracts with the Company.

Directors' Indemnities

As at the date of this report, indemnities are in place 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 any 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 Act.

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.

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into

1 See Footnote on page 4.

consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

Substantial Interests

To the best of the Company's knowledge at 30 April 2017 the only persons known to the Company who, directly or indirectly, were interested in 3.0 per cent. or more of the Company's issued share capital were as follows:

Shareholder	Number of shares held	% held
Hedley, stockbrokers	4,061,317	9.84
Redmayne Bentley, stockbrokers	3,664,923	8.88
Alliance Trust Savings	3,312,676	8.03
Hargreaves Lansdown, stockbrokers	2,961,975	7.18
Rathbones	2,275,215	5.51
AJ Bell, stockbrokers	2,258,222	5.47
Charles Stanley, stockbrokers	1,955,269	4.74
Midas Investment Management	1,945,397	4.71
EFG Harris Allday, stockbrokers	1,792,965	4.34
Brewin Dolphin, stockbrokers	1,750,022	4.24

Since 30 April 2017, there have been no changes notified to the Company.

Management and Management Fees

Seneca Investment Managers provides investment management services to the Company. A summary of the contract between the Company and the Manager in respect of investment management services provided is given in note 3 to the financial statements.

The Management Engagement Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review, the Committee considered the past investment performance of the Company and the capability and resources of the Manager to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Manager, together with the commitment of the Manager to the Company and its investment trust business and the standard of other services provided, which include administration, marketing and corporate development.

Following this review it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Directors' Remuneration Policy and Report

The Directors' Remuneration Policy and Report are detailed on pages 28 to 29.

Alternative Investment Fund Managers' Directive

The Company's application to be a small Registered UK AIFM was approved by the FCA, and the Company was entered in the register of small registered UK AIFMs with effect from 1 July 2014, under the Alternative Investment Fund Managers Regulations 2013.

Annual General Meeting

The Company's Annual General Meeting (AGM) will be held at the offices of Maclay, Murray & Spens LLP, Twelfth Floor, One London Wall, London, EC2Y 5AB at 12.30 p.m. on 6 July 2017.

The accompanying circular to this Annual Report and Accounts sets out the resolutions which will be considered and, if thought appropriate, passed at the forthcoming AGM.

Dividend Policy

The Company's current policy is to pay all of its dividend payments (four per annum) as interim dividends. This enables the fourth dividend payment to be made several weeks earlier than would be the case if that dividend were categorised as a final dividend and therefore have to wait for Shareholder approval at the AGM in July. This arrangement is made in the interests of Shareholders, enabling them to benefit from the earlier receipt of the fourth dividend. In accordance with the principles of good corporate governance, as there is no resolution to approve a dividend at the AGM, resolution 4 will seek Shareholder approval for this dividend policy.

Continuation of the Company

The Company is required by its Articles to propose an ordinary resolution at each Annual General Meeting to continue it as an investment trust. Having regard to the Company's investment performance and the successful implementation of its Discount Control Mechanism, the Board firmly believes that the continuation of the Company, as proposed by resolution 8, is in the best interests of Shareholders.

Approval of Changes to Investment Objective and Policy

The full text of the Company's current published Investment Objective and Policy and the proposed new published Investment Objective and Policy, with the proposed changes highlighted in order to allow easy comparison, are included in the accompanying circular.

The Listing Rules require any proposed material changes to the Company's published Investment Policy to be submitted to the FCA for prior approval. Resolution 9 is being proposed because the Listing Rules also require Shareholder approval prior to any material changes being made to the Company's published Investment Policy.

As the FCA has given its approval for the proposed changes, the revised Investment Objective and Policy will be implemented immediately following approval by Shareholders at the AGM. The Board believes that the revised Investment Objective is more commensurate with the Company's investment profile and that the revised Investment Policy will increase the Manager's investment flexibility and efficiency when determining how best to fulfil the Company's Investment Objective.

Discount Control Mechanism ('DCM')

The DCM seeks to ensure that the Company's Ordinary shares trade very close to net asset value through a combination of share buy-backs at a small discount to net asset value when supply exceeds demand and the issue of new Ordinary shares at a small premium to net asset value when demand exceeds supply.

The Directors will continue to seek the renewal of the Company's authority to buy-back Ordinary shares annually and at other times should this prove necessary.

From the authority granted at the July 2016 AGM, the Company, at 30 April 2017, had the remaining authority to buy-back 5,980,465 Ordinary shares, which represented 14.99% of the outstanding issued Ordinary shares at the date of the AGM. It is the intention of the Directors that the share buy-back authority is used to purchase Ordinary shares if the middle market price for an Ordinary share is below the net asset value per Ordinary share (taking into account any rights to which the Ordinary shares are trading ''ex''). Accordingly, purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary shares. Such purchases will also be made only in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of (a) 5% above the average of the middle market quotations for the Ordinary shares for the five business days before the purchase is made and (b) the higher of the highest price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out. Furthermore, the minimum price paid for an Ordinary share bought back will be 25p, being the nominal value of an Ordinary share. The Directors will be authorised to cancel any Ordinary shares purchased under such authority or to hold them in Treasury.

The Directors will also seek the renewal of the Company's authority to issue (allot) new Ordinary shares annually (and at other times should this prove necessary). From the original authority granted at the July 2016 AGM to allot 7,979,272 Ordinary shares (representing 20% of the outstanding issued Ordinary shares at that date), the Company, at 30 April 2017, had the remaining authority to allot 6,594,272 Ordinary shares. At this year's AGM, it is the Directors' intention to seek Shareholders' authority to allot up to 20% of the outstanding issued Ordinary shares, pursuant to the DCM. Under no circumstances will any issue of new Ordinary shares result in a dilution of the net asset value per Ordinary share.

Any buy-back or issue of Ordinary shares will be made in accordance with the Companies Act 2006 and within guidelines established from time to time by the Board and the making and timing of any buy-backs or issues will be at the absolute discretion of the Board. Nothing in the DCM will require the Directors to take any steps that would require the Company to make a tender offer for its shares or to publish a prospectus.

The DCM is operated by PATAC Limited, under the Board's instructions, with effect from 1 August 2016 for a fee of £33,000 per annum (excluding VAT).

Notwithstanding the DCM, there is no guarantee that the Ordinary shares will trade at close to the net asset value per Ordinary share. Shareholders should note that the DCM could lead to a reduction in the size of the Company over time.

Directors' Authority to Allot Relevant Securities

Among the resolutions being put to the Annual General Meeting as Special Business, Resolution 10, which is an ordinary resolution, will, if passed, provide the Directors' with a general power to allot relevant securities up to an aggregate nominal amount of £3,379,696 representing approximately one-third of the existing issued capital of the Company (excluding treasury shares) at the last practicable date of 9 June 2017[1] or such amount being equivalent to one-third of the aggregate nominal amount of the issued share capital of the Company (excluding treasury shares) at the date of the passing of the resolution.

The authority granted by Resolution 10 will expire on 6 October 2018, or if earlier, at the conclusion of the AGM in 2018.

1 See Footnote on page 4.

Resolution 11, which is a special resolution, will, if passed, renew the Directors' existing authority to make limited allotments of shares for cash other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders. The disapplication of pre-emption rights relates to shares that the Company issues pursuant to the authority conferred by Resolution 10 or transfers from treasury (if any). This resolution limits the authority conferred by Resolution 10 to issues of Ordinary shares (or sales of treasury shares) to a maximum aggregate nominal amount of £2,027,818 representing approximately 20 per cent. of the Company's existing issued share capital as at the last practicable date of 9 June 2017[1], or such amount being equivalent to 20% of the aggregate nominal amount of the issued share capital of the Company (excluding treasury shares) at the date of the passing of the resolution.

The authority granted by Resolution 11 will expire on 6 October 2018, or if earlier at the conclusion of the AGM in 2018.

Purchase of the Company's Shares

Resolution 12 which is a Special Resolution will be proposed to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share shall be not less than 25p per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. Under the Companies Act 2006, a listed company is able to hold shares in treasury rather than cancel them. Any shares purchased under the authority granted by Resolution 12 will either be cancelled and the number of Ordinary shares reduced accordingly or held in treasury. It is possible that the issued share capital of the Company will change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document. The authority being sought shall expire on 6 October 2018, or if earlier, at the conclusion of the Annual General Meeting in 2018 unless such authority is renewed prior to such time. These powers will give Directors additional flexibility going forward and the Board considers that it will be in the interest of the Company that such powers be available. In particular, the Directors will not use this authority to purchase the Company's shares unless to do so would result in an increase in net asset value per share.

If Resolution 12 is passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which this authority relates.

Notice of Meeting

Resolution 13, which is a Special Resolution, will be proposed to authorise the Directors to call general meetings of the Company (other than Annual General Meetings), on 14 clear days' notice as permitted by the Companies Act 2006 and as amended by the Companies (Shareholders' Rights) Regulations 2009. The Company will also need to meet the Companies Act 2006 requirements for electronic voting before it may call a general meeting on 14 clear days' notice. The Directors confirm that, in the event that a general meeting is called, they will give as much notice as is practicable and will only utilise the authority granted by Resolution 13 in limited and time sensitive circumstances.

Recommendation

Your Board considers the passing of the Resolutions to be proposed at the AGM, as set out in the attached circular, to be in the best interests of the Company and its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of the Resolutions as it intends to do in respect of its own beneficial shareholding of 320,810 ordinary shares.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. Financial instruments recognised at fair value are shown in the fair value hierarchy in note 18 to the financial statements. The financial risk management objectives and policies arising from the Company's financial instruments and the exposure to risk are disclosed in note 16 to the financial statements. Details of the Company's bank facility are contained in note 11 to the financial statements.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

Disclosure of Information to the Auditor

The Directors confirm that, so far as each of them are aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditors

Ernst & Young LLP have indicated their willingness to continue in office. The Directors will place a Resolution before the Annual General Meeting for the reappointment of Ernst & Young LLP as independent auditors of the Company for the ensuing year, and to authorise the Directors to determine their remuneration.

21 Walker Street
Edinburgh
EH3 7HX

By order of the Board
Steven Cowie
Company Secretary
13 June 2017

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in September 2014 (the "Governance Code"), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

The Association of Investment Companies has also published a Code of Corporate Governance ("AIC Code") and a Corporate Governance Guide for Investment Companies ("AIC Guide") which are available on the AIC's website: www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in Section 1 of the Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Governance Code), will provide better information to shareholders.

Application of the Principles of the Codes

The Company has complied with the provisions of the AIC Code and the Governance Code, except for the Governance Code provisions relating to:

- The role of the chief executive (A 1.2)
- Executive directors' remuneration (B 2.1)
- The need for an internal audit function (C 3.6)

As indicated by the AIC Code the above exceptions are not believed to be applicable to an externally managed investment company.

The Board

The Board currently consists of a non-executive Chairman and two non-executive Directors. All Directors are considered by the Board to be independent of the Investment Manager and free of any material relationship with the Investment Manager. Each Director has the requisite level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment company as this role has effectively been delegated to the Manager, under the terms of the Investment Management Agreement. Mr R A M Ramsay has been identified as the Senior Independent non-executive Director, to whom any concerns can be conveyed by the other Directors. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. Mr R A M Ramsay has served on the Board as a Director with effect from 2 April 2013 and as Chairman from 3 September 2013.

The Board takes the view that independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength.

During the year ended 30 April 2017 the Board met 5 times. In addition, there were 2 Audit Committee meetings, 1 Management Engagement Committee meeting and 4 other ad hoc Committee meetings (to approve dividends and the Half Yearly and Annual Reports). Between meetings the Board maintains regular contact with the Investment Manager.

Directors have attended Board and Committee meetings during the year ended 30 April 2017 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board meetings	Audit and Management Engagement Committee meetings	Other committee meetings
R A M Ramsay (Chairman)	5 (5)	3 (3)	4 (4)
I R Davis	5 (5)	3 (3)	4 (4)
J R McCulloch	5 (5)	3 (3)	4 (4)

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole, the individual Directors and the Board Committees. The process involves consideration of completed questionnaires tailored to suit the nature of the Company and discussion of the points arising amongst the Directors.

The Board has reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company. The Directors have reviewed the proposed re-election of Mr I R Davis and are of the opinion that he brings a significant range of business, financial and management skills and experience to the Company and the Board supports his re-election. The annual evaluation of the Board and the Directors has been completed and the Directors have concluded that the Board continues to function effectively and individually, the Directors remain independent and there are no relationships or circumstances which are likely to affect the judgement of the Directors.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Audit Committee

The Report of the Audit Committee is contained on pages 26 and 27.

Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Mr R A M Ramsay and comprises the full Board, has been established. The Terms of Reference of the Management Engagement Committee are available on the Company's website and further copies are available on request. The Management Engagement Committee annually reviews matters concerning the management contract which exists between the Company and the Investment Manager. Further information on the Investment Manager is set out on page 19 and details of the Management Agreement are shown in note 3 to the financial statements.

Nomination Committee

Appointments to the Board of Directors are considered by the Nominations Committee which is chaired by Mr R A M Ramsay and comprises the full Board. Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. The Terms of Reference of the Nomination Committee are available on the Company's website and further copies are available on request. External search consultants may be used to assist in the appointment of new Directors should it be considered expedient. Every Director is entitled to receive appropriate training as deemed necessary. A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles of Association require that one third of the Directors retire by rotation at each Annual General Meeting.

Stewardship Code

The Financial Reporting Council ("FRC") published "The UK Stewardship Code" for institutional shareholders on 2 July 2010 and revised it in September 2012. The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of investee companies to the Manager. The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the investee company, and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment. The Manager's policy is to assess each voting opportunity individually and to vote only in cases where it is believed that the Company's best interests need to be protected. The Board has reviewed, and endorses, the Manager's Statement of Compliance with the Code, which appears on the Manager's website, at **www.senecaim.com**.

The Board will also receive from the Manager regular reports on the exercise by the Manager of the Company's voting rights.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's website.

A regular dialogue is maintained with the Company's institutional shareholders and with private client asset managers. This is principally carried out through the Manager. Reference to significant holdings in the Company's Ordinary shares can be found under "Substantial Interests" on page 21.

The Notice of the Annual General Meeting is included in a circular accompanying the Annual Report and Accounts and is sent out at least 21 days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

21 Walker Street
Edinburgh
EH3 7HX

By order of the Board
Steven Cowie
Company Secretary
13 June 2017

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises three non-executive Directors, Mr I R Davis (Chairman), Mr J R McCulloch and Mr R A M Ramsay. Mr I R Davis has competence in accounting and auditing matters. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis and are disclosed on the Company's website. Further copies are available on request.

Role of the Audit Committee

A summary of the Committee's main audit review functions is shown below:

- to review and monitor the internal control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager and Administrator;
- to meet with the external Auditor, Ernst & Young LLP ("EY") to review their proposed audit programme of work and their findings. The Audit Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services;
- to review an annual statement from the Manager and Administrator detailing the arrangements in place whereby the staff of the Manager and of the Administrator may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor; and,
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification.

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement. The Audit Committee considered certain significant issues during the year. These are noted in the table opposite.

Auditor

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 30 April 2017. At the conclusion of the audit EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 31 to 36.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £28,800 (2016: £28,200), EY received fees for non-audit services of £9,300 for the year (2016: £9,300) which related to the provision of tax compliance and advisory services. All fees described are inclusive of VAT. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit. As a result of a change in the ethical standards for auditors, these tax compliance and advisory services will no longer be provided by the Auditor.

As part of the review of auditor independence and effectiveness, EY has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Company is not required to change its auditor until after the audit in respect of the year end 30 April 2024. It is the current intention of the audit committee not to change the auditor until then. The Audit Committee, from direct observation and enquiry of the Manager and Administrator, remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit principal rotates after five years. The current audit principal is in the fourth year of her appointment. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

In relation to the annual report and financial statements the following significant issues were considered by the Committee:

Significant Issue	How the issue was addressed
Accuracy of portfolio valuation	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Unquoted investments are valued using primary valuation techniques (as set out on page 41) and are reviewed by the Committee at each meeting.
Mis-statement of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 41) and is reviewed by the Committee at each meeting.
Comfort over internal controls	The Committee receives regular reports on internal controls from the Manager and the Administrator and has access to the relevant personnel at the Manager who have a responsibility for risk management.

All of the above were satisfactorily addressed through consideration of reports provided by and discussed with the Manager.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (the "FRC guidance") the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

- financial;
- operational; and
- compliance.

The key components designed to provide effective internal control are outlined below:

- PATAC Limited as Company Secretary and Administrator together with the Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Investment Manager as appropriate;
- as a matter of course the Investment Manager's compliance department continually reviews the Investment Manager's operations and reports to the Board on a quarterly basis;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Manager, Administrator and other third party service providers; and
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Investment Manager and the Administrator, has decided to place reliance on the Investment Manager's and the Administrator's systems and internal audit procedures.

At its June meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 April 2017 by considering documentation from the Investment Manager and the Administrator, including the compliance function and taking account of events since 30 April 2017. The results of the assessment were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

The principal risks and uncertainties affecting the Company are disclosed on pages 15 and 16.

Ian Davis
Chairman of Audit Committee
13 June 2017

Directors' Remuneration Report

Remuneration Committee

Under the UK Listing Rules, where an investment company has only non-executive directors, the Governance Code principles relating to directors' remuneration do not apply. The full Board acts as the Remuneration Committee whose Chairman is the Chairman of the Board.

The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is shown below.

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board. This Report has been divided into separate sections for unaudited and audited information.

Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, Directors' time commitment, and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. The policy was approved by shareholders at the AGM in 2014 and there have been no changes to the policy since that date. It is intended that this policy will be put to shareholders for approval at the forthcoming AGM and continue for the three year period ending 30 April 2020.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfill in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 April 2018. With effect from 1 January 2015 the Chairman receives fees of £24,500 per annum, the Audit Committee Chairman receives fees of £22,000 per annum and £20,000 is payable to other Directors. The Board reviews fees from time to time.

No Director has a service contract with the Company. Letters of appointment are in place under which the Directors are appointed to the Board subject, inter alia, to reappointment in accordance with the Articles of Association.

The Directors have not had any interests in contractual arrangements with the Company either during the period or subsequently.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

The Directors who served in the year received the following fees:

	2017 £'000	2016 £'000
R A M Ramsay	25	25
I R Davis	22	22
J R McCulloch	20	20
Totals	**67**	**67**

The amounts paid by the Company to the Directors were for services as non-executive Directors.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	2017 £'000	2016 £'000	Change %
Aggregate Directors' Remuneration	67	67	0.0
Management and other expenses	1,080	1,032	+4.7
Dividends paid to Shareholders	2,428	2,344	+3.6

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company were as follows:

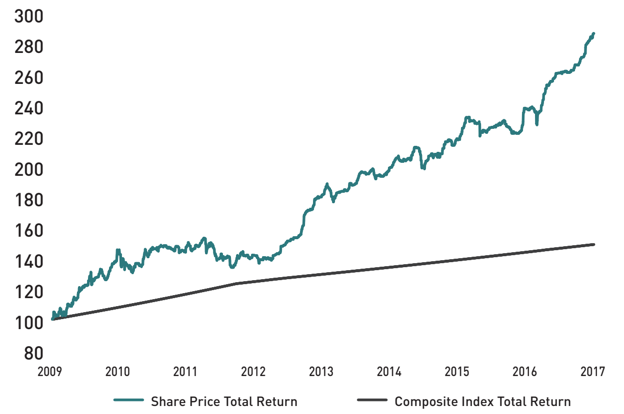
	At 30 April 2017 Ordinary shares	At 30 April 2016 Ordinary shares
R A M Ramsay	133,014	73,667
I R Davis	92,796	92,796
J R McCulloch	95,000	65,000

There have been no changes in the Directors' interests in the shares of the Company between 30 April 2017 and 13 June 2017.

Directors and staff of SIML (and their families) own more than 3.0 million shares in the Company.

Company Performance

The chart shown below illustrates, for the eight financial years ended 30 April 2017, the total shareholder return for a holding in the Company's shares as compared to the notional annualised return of 8% from 1 May 2009 to 18 January 2012 and 3 month LIBOR plus 3% from 18 January 2012 to 30 April 2017.



Source: Cantor Fitzgerald/Morningstar

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 7 July 2016, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 April 2016. 99.8% of votes were in favour of the resolution and 0.2% were against. Also at the Annual General Meeting held on 30 September 2014, shareholders approved the Directors' Remuneration Policy in respect of the three year period ending 30 April 2017. 99.8% of votes were in favour of the resolution and 0.2% were against.

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to an advisory shareholders vote at the forthcoming Annual General Meeting.

An ordinary resolution for the approval of the Directors' Remuneration Policy will be put to a binding shareholders vote at the forthcoming Annual General Meeting.

By order of the Board
Steven Cowie
Company Secretary
13 June 2017

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006, where applicable. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations. The financial statements are published on **www.senecaim/sigt/** which is a website maintained by the Company's Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- that in the opinion of the Directors, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Seneca Global Income & Growth Trust plc
Richard Ramsay
Chairman
13 June 2017

Independent Auditor's Report

to the Members of Seneca Global Income and Growth Trust plc

Our opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The Company's financial statements comprise:

Income Statement for the year ended 30 April 2017

Balance sheet as at 30 April 2017

Statement of Changes in Equity for the year ended 30 April 2017

Cash flow statement for the year ended 30 April 2017

Related notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Overview of our audit approach

Risks of material misstatement	• Existence and Incorrect valuation of the investment portfolio • Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment.
Materiality	• Overall materiality of £0.70 million (2016: £0.58 million) which represents 1% of equity shareholder's funds

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk Identified	Our response to the risk	Key observations communicated to the Audit Committee
Existence and incorrect valuation of the investment portfolio (as described on page 27 of the Report of the Audit Committee and note 9 of the financial statements). The valuation of the investment portfolio as at 30 April 2017 was £72.93 million (2016: £64.67 million) consisting of listed and unquoted investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: We reviewed the Administrator's processes and controls to gain an understanding of the investment pricing process for quoted and the Manager's processes and controls for unquoted investments through performing walkthrough procedures; We reviewed pricing exception reports; We agreed the year end prices for level 1 and level 2 investments to an independent source. For those investments priced in currencies other than sterling we agreed the exchange rates to an independent source. We discussed the valuation of unquoted investments with management. We engaged our own valuation experts to: • Review the valuation of unquoted investments and assess the reasonableness of the valuation methodologies used; • Challenge the key inputs and assumptions used with reference to published market data and price/earnings multiples of comparable companies; and • Determine a reasonable range for the valuations and to ensure that the valuation of the investments, as determined by the Company, is within this reasonable range. We agreed inputs to the unquoted valuations to underlying documentation. We obtained confirmation from the Custodian of all securities held at the year end and agreed all securities held from the Company's records to those of the Custodian.	Based on the procedures performed: We noted no issues in our review of the Administrator's processes and controls around the investment pricing process for the quoted investments and the Manager's processes and controls for unquoted investments. We noted no issues in our review of the pricing exception reports. For level 1 and level 2 investments, we noted no material differences between the market value used in the Company's investment portfolio compared to the independent source. We noted no material difference between the exchange rates used for those investments priced in currencies other than sterling compared to the independent source. We noted no issues in our discussions with management on the valuation of unquoted investments. Our valuation experts noted no issues in their: • Review of the valuation of unquoted investments and assessment of the reasonableness of the valuation methodologies used; • Challenge of the key inputs and assumptions used with reference to published market data and price/earnings multiples of comparable companies; and • Determination of a reasonable range for the valuations. The valuation of the investments, as determined by the Company, was within the reasonable range. We noted no issues when agreeing the inputs to the unquoted valuations to underlying documentation. We noted no material difference between the custodian confirmation and the Company's underlying financial records.

Risk Identified	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment and processing of inappropriate journal entries (as described on page 27 of the Report of the Audit Committee and note 2 of the financial statements). The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. The investment income receivable for the year to 30 April 2017 was £1.71 million in the form of UK franked income, £0.74 million in the form of UK unfranked income and £1.05 million in the form of overseas dividends (2016: £1.48 million, £0.92 million and £0.72 million respectively) (as disclosed in Note 2 to the financial statements). Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital'. During the year, the Company received three special dividends (2016: one), with an aggregate value of £0.16 million (2016: £0.18 million). All special dividends were treated as revenue. There is also a risk that Inappropriate journal entries applied to the income account could result in a misstatement of income. The Company receives income from its investments in underlying funds which has been included in overseas dividends as noted above. For those underlying funds that are reporting offshore funds, excess reported income needs to be taken account of for the purposes of the revenue retention test. The Company has invested in seven offshore funds with reporting status. No excess reported income has been recognised in the year. If the offshore fund does not have reporting fund status then any gains on the holding are taxable at a rate of 20% after deduction of management expenses which might not be appropriately accounted for. The Company has invested in one non-reporting off shore fund. There are no taxable gains with respect to this non-reporting offshore fund.	We performed the following procedures: We reviewed the Administrator's processes and controls to gain an understanding of the revenue recognition process (including special dividends). We agreed a sample of dividends received from the income report to an independent source. We agreed a sample of dividends paid on investments held from an independent pricing source to the income report. We agreed 100% of accrued dividends to an independent source. We performed a review of all special dividends received and assessed the appropriateness of the accounting treatment. We tested the appropriateness of revenue journal entries and other adjustments made in the preparation of the financial statements. We assessed the systems and controls in place at the Administrator to identify offshore funds, determine reporting status and check for reported income. We discussed the portfolio with the Administrator to identify any offshore funds and we ensured these are recorded as such within the underlying records of the Company. We independently verified that no excess reported income should be recognised within the financial statements with respect to the reporting offshore funds.	Based on the procedures performed: We noted no issues in our review of the Administrator's processes and controls to gain an understanding of the revenue recognition process. We noted no issues in agreeing the sample of dividends received to an independent source. We noted no issues in agreeing the sample of dividends paid on investments held from independent source to the income report. We noted no issues in agreeing accrued dividends to an independent source. We noted no issues in our review of the treatment of special dividends received. We noted no issues in testing the appropriateness of revenue journal entries and other adjustments made in the preparation of the financial statements. We noted no issues in our assessment of the Administrator's systems and controls to identify offshore funds and to determine reporting status. We noted no issues in our discussion with the Administrator in identifying offshore funds and their recording as such in the underlying records of the Company. We noted no issues in verifying that there should be no reported income recognised within the financial statements with respect to reporting offshore funds.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of company-wide controls, changes in the business environment and other factors when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £0.70 million (2016: £0.58 million), which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total shareholders' funds as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality was 50% (2016: 75%) of materiality, being £0.35 million (2016: £0.44 million). We have set performance materiality at this percentage due to the identification of a reported immaterial difference in the prior year.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.14 million (2016: £0.12 million) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the audit committee that we would report all audit differences in excess of £0.04 million (2016: £0.03 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 30 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirement.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report and accounts is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and Directors' Report on pages 14 and 20 of the Annual Report. We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company 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 • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, and longer-term viability, as set out on page 16; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, 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 entity 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.	We have nothing material to add or to draw attention to.

Caroline Mercer

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
13 June 2017

Income Statement

	Notes	Year ended 30 April 2017 Revenue £'000	Capital £'000	Total £'000	Year ended 30 April 2016 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	-	8,855	8,855	-	(1,723)	(1,723)
Income	2	3,500	-	3,500	3,120	-	3,120
Investment management fee	3	(265)	(265)	(530)	(247)	(247)	(494)
Administrative expenses	4	(462)	-	(462)	(434)	-	(434)
Exchange (losses)/gains		-	(4)	(4)	-	16	16
Profit before finance cost and taxation		2,773	8,586	11,359	2,439	(1,954)	485
Finance costs	5	(44)	(44)	(88)	(52)	(52)	(104)
Profit before taxation		2,729	8,542	11,271	2,387	(2,006)	381
Taxation	6	(22)	22	-	-	-	-
Profit for year/total comprehensive income		**2,707**	**8,564**	**11,271**	**2,387**	**(2,006)**	**381**
Return per share (pence)	**8**	**6.78**	**21.43**	**28.21**	**5.98**	**(5.03)**	**0.95**

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 30 April 2017 £'000	As at 30 April 2016 £'000
Fixed assets			
Investments at fair value through profit or loss	9	72,931	64,668
Current assets			
Debtors and prepayments	10	667	396
Cash and short term deposits		3,341	676
		4,008	1,072
Creditors: amounts falling due within one year	11		
Bank loan		(7,000)	(7,000)
Other creditors		(159)	(112)
		(7,159)	(7,112)
Net current liabilities		(3,151)	(6,040)
Net assets		**69,780**	**58,628**
Capital and reserves			
Called-up share capital	12	10,320	9,974
Share premium account		3,408	1,445
Special reserve		41,783	41,783
Capital redemption reserve		2,099	2,099
Capital reserve	13	10,883	2,319
Revenue reserve		1,287	1,008
Equity shareholders' funds		**69,780**	**58,628**
Net asset value per share (pence)	15	169.04	146.95

The financial statements were approved by the Board of Directors and authorised for issue on 13 June 2017 and were signed on its behalf by:

R A M Ramsay
Chairman

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 30 April 2017	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2016	9,974	1,445	41,783	2,099	2,319	1,008	58,628
Total comprehensive income	-	-	-	-	8,564	2,707	11,271
Dividends paid (see note 7)	-	-	-	-	-	(2,428)	(2,428)
Discount control costs	-	(25)	-	-	-	-	(25)
New shares issued	346	1,988	-	-	-	-	2,334
Balance at 30 April 2017	**10,320**	**3,408**	**41,783**	**2,099**	**10,883**	**1,287**	**69,780**

For the year ended 30 April 2016	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2015	9,974	1,445	41,783	2,099	4,325	965	60,591
Total comprehensive income	-	-	-	-	(2,006)	2,387	381
Dividends paid (see note 7)	-	-	-	-	-	(2,344)	(2,344)
Balance at 30 April 2016	**9,974**	**1,445**	**41,783**	**2,099**	**2,319**	**1,008**	**58,628**

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.
The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

	Year ended 30 April 2017		Year ended 30 April 2016	
	£'000	£'000	£'000	£'000
Net return before finance costs and taxation		11,359		485
Adjustments for:				
(Gain)/loss on investments		(8,855)		1,723
Exchange movements		4		(16)
Dividends		(3,500)		(3,118)
Dividends received		3,406		3,227
Interest income		-		(2)
Interest income received		-		2
Loan interest paid		(85)		(117)
Increase in other debtors		(5)		(4)
Increase in other creditors		44		10
Net cash inflow from operating activities		**2,368**		**2,190**
Investing Activities				
Purchases of investments	(31,069)		(38,024)	
Sales of investments	31,657		37,621	
Net cash inflow/(outflow) from investing activities		**588**		**(403)**
Financing Activities				
Proceeds of issue of shares	2,141		-	
Equity dividends paid	(2,428)		(2,344)	
Net cash outflow from financing activities		**(287)**		**(2,344)**
Increase/(decrease) in cash		2,669		(557)
Exchange movements		(4)		16
Opening balance		676		1,217
Closing balance		**3,341**		**676**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of Preparation and Going Concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on the assumption that approval as an investment trust will continue. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Strategic Report on page 16.

Statement of estimation uncertainty – in the application of the company's accounting policies, the board is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. Except for the valuation of unquoted investment holdings, there have been no significant judgements, estimates or assumptions for the year.

(b) Investments

Investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange. Investments in collective investment schemes have been valued at bid price for dual priced funds or single price for single priced funds. The unquoted investments held (see note 9) are valued by the Directors using International Private Equity and Venture Capital Valuation ('IPEV') guidelines, such as earnings multiples, recent transactions and net assets, which equate to their fair values. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement. The Company has chosen to apply FRS 102 sections 11 and 12 for the recognition and measurements of financial assets and liabilities.

(c) Income

Income from investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex dividend. Special dividends are credited to capital or revenue, according to the circumstances. Interest receivable on short term deposits is treated on an accruals basis.

(d) Expenses

All expenses are accounted for on an accrual basis. Expenses are charged to revenue within the Income Statement except as follows:

- transaction costs on the acquisition or disposal of investments are charged to capital;
- expenses are charged to capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect the investment management fee and loan interest on the £11 million bank loan have been allocated 50% to capital and 50% to revenue within the Income Statement;
- loan break costs are charged 100% to capital within the Income Statement.

(e) Financial Assets and Liabilities

All financial assets and liabilities are recognised in the financial statements at fair value, with loans valued at amortised cost.

(f) Reserves

Revenue reserve* – the net revenue for the year is transferred to the revenue reserve and dividends paid are deducted from the revenue reserve.

Capital reserve* – capital expenses, gains or losses on realisation of investments and changes in fair values of investments are transferred to the capital reserve.

Special reserve* – the purpose of this reserve is to fund market purchases of the Company's own shares. The reserve was originally created by the cancellation and transfer of the Company's share premium account in 2005 and a further cancellation and transfer occurred in 2008.

Share premium account – this represents the surplus of subscription monies after expenses over the nominal value of the issued share capital.

Capital redemption reserve – the nominal value of the shares bought back and cancelled are transferred to the capital redemption reserve.

* Distributable reserves.

(g) Taxation

The tax effect of different items of income/gains and expenditure/losses is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective rate of tax.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in future against which the deferred tax asset can be offset. Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(h) Foreign Currency

Transactions involving foreign currencies are converted to sterling, being the Company's functional currency, at the rate ruling at the date of the transaction. Translation of all monetary assets and liabilities and non-monetary assets held at fair value is at the middle rates of exchange at the year end. Differences arising from translation are treated as a gain or loss to capital or revenue within the Income Statement depending upon the nature of the gain or loss.

(i) Interest Bearing Borrowings

All interest bearing borrowings are initially recognised at cost, being fair value of the consideration received. After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs.

2 Income

	2017 £'000	2016 £'000
Income from investments		
UK franked income	1,708	1,475
UK unfranked dividend income	742	922
Overseas dividends	1,050	721
	3,500	**3,118**
Other income		
Deposit interest	-	2
	-	2
Total income	**3,500**	**3,120**

3 Investment Management Fees

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Investment management fee	265	265	530	247	247	494

The Company's investment manager is Seneca Investment Managers Limited ("SIML"). The management fee payable is calculated by reference to the Company's market capitalisation, at a rate of 0.9% per annum on market capitalisation up to £50m and 0.65% per annum on market capitalisation above this figure. The agreement is terminable by either party on twelve months' notice. In the event that the agreement is terminated SIML is entitled to 12 months of management fees. The fee is chargeable 50% to capital and 50% to revenue within the Income Statement. The balance due to SIML at the year end was £47,500 (2016: £40,000).

4 Administrative Expenses	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Administration and company secretarial fees	129	-	129	116	-	116
Directors' fees	67	-	67	67	-	67
Printing and stationery	18	-	18	24	-	24
Auditors' remuneration:						
- audit (inclusive of VAT)	29	-	29	28	-	28
- compliance taxation services (inclusive of VAT)	9	-	9	9	-	9
Other	210	-	210	190	-	190
	462	**-**	**462**	**434**	**-**	**434**

The Company has an agreement with PATAC Limited ("PATAC") for the provision of administration and Company secretarial services.

PATAC is entitled to a fixed fee of £110,000 per annum (index-linked).

The agreement is terminable by either party on three months' notice. No sum was due to PATAC at the year end (2016 - £nil).

5 Finance Costs	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
On bank loans	44	44	88	52	52	104

Finance costs relate to interest charged on the revolving loan facility, details of which are disclosed in note 11.

6 Taxation	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
(a) Analysis of charge for the year						
Total tax charge/(credit)	**22**	**(22)**	**-**	**-**	**-**	**-**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net profit on ordinary activities before taxation	**2,729**	**8,542**	**11,271**	**2,387**	**(2,006)**	**381**
Corporation tax at 19.92% (2016 - 20.00%)	544	1,701	2,245	477	(401)	76
Effects of:						
Non-taxable UK dividends	(313)	-	(313)	(295)	-	(295)
Non-taxable overseas dividends	(209)	-	(209)	(144)	-	(144)
Movement in unutilised management expenses	-	40	40	(38)	56	18
Gains on investments not taxable	-	(1,763)	(1,763)	-	345	345
Total tax payable	**22**	**(22)**	**-**	**-**	**-**	**-**

(c) Factors that may affect future tax changes

There was no provision for deferred taxation made for either this year or the previous year. The Company has not recognised a deferred tax asset of £994,000 (2016 - £996,000) arising as a result of non-trading deficits and eligible unrelieved foreign tax. These deficits will only be utilised if the Company has profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

7 Dividends

Amounts recognised as distributions to equity holders for the year ended 30 April 2017:

	2017 £'000	2016 £'000
Fourth interim dividend for 2016 - 1.52p (2015 - 1.47p)	607	586
First interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
Second interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
Third interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
	2,428	**2,344**

A fourth interim dividend has been declared for the year of 1.58p (2016 - 1.52p) per share, amounting to £640,000 (2016 - £607,000). There is no final dividend proposed for the year (2016 - nil).

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158-1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £2,729,000 (2016 - £2,387,000).

	2017 £'000	2016 £'000
Fourth interim dividend for 2017 - 1.58p (2016 - 1.52p)	640	607
Third interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
Second interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
First interim dividend for 2017 - 1.52p (2016 - 1.47p)	607	586
	2,461	**2,365**

8 Return per Ordinary Share

The return per Ordinary share is based on the following figures:

	2017			2016		
	Revenue P	Capital P	Total P	Revenue P	Capital P	Total P
	6.78	21.43	28.21	5.98	(5.03)	0.95

The revenue return per Ordinary share is calculated on net revenue on ordinary activities after taxation for the year of £2,707,000 (2016 - £2,387,000) and on 39,954,635 (2016 - 39,896,361) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The capital return per Ordinary share is calculated on net capital profit for the year of £8,564,000 (2016 - loss of (£2,006,000)) and on 39,954,635 (2016 - 39,896,361) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The total return per Ordinary share is calculated on total return for the year of £11,271,000 (2016 - gains of £381,000) and on 39,954,635 (2016 - 39,896,361) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9 Investments

	Listed in the UK £'000	Unquoted and unlisted £'000	Total £'000
Fair value through profit or loss:			
Opening book cost	43,691*	17,786*	61,477
Opening fair value gains/(losses) on investments held	2,012*	1,179*	3,191
Opening valuation	45,703*	18,965*	64,668
Movements in year:			
Purchases at cost	19,588	11,481	31,069
Sales - proceeds	(19,552)	(12,109)	(31,661)
- profit on sales	2,568	1,177	3,745
Movement in fair value of investments held	4,007	1,103	5,110
Closing fair value of investments held	**52,314**	**20,617**	**72,931**
Closing book cost	46,295	18,335	64,630
Closing fair value gains/(losses) on investments held	6,019	2,282	8,301
	52,314	**20,617**	**72,931**

*The opening cost of investments and fair value gains and losses on investments at 30 April 2016 have been restated to correct an error in the classification between listed and unlisted investments. In order to rectify the error, the opening cost of listed investments has been increased by £5.2 million to £43.7 million and the opening cost of unlisted investments has been reduced by £5.2 million to £17.8 million. In addition, the opening fair value gain on listed investments has been decreased by £3.7 million to £2.0 million and the opening fair value loss on unlisted investments has been decreased by £3.7 million to a gain of £1.2 million. This restatement has no impact on total comprehensive income or net assets and no impact on the Income Statement or the Balance Sheet.

Gains on investments	2017 £'000	2016 £'000
Gains on sales	3,745	2,596
Increase/(decrease) in fair value of investments held	5,110	(4,319)
	8,855	**(1,723)**

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Income Statement. The total costs were as follows:

	2017 £'000	2016 £'000
Purchases	76	85
Sales	26	2
	102	**87**

10 Debtors: Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Dividends and interest receivable	468	372
Prepayments and other debtors	199	24
	667	**396**

None of the above amounts are past their due date or impaired (2016: nil).

11 Creditors: Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Bank loan	7,000	7,000
Interest payable	3	-
Other creditors	156	112
	7,159	**7,112**

The Company has an £11,000,000 (2016: £7,000,000) revolving loan facility in place with Royal Bank of Scotland plc which expires in October 2017. At 30 April 2017 £7,000,000 had been drawn down at an all-in fixed rate of 0.9551% until 31 May 2017. At 30 April 2016 the full amount of £7,000,000 had been drawn down at an all-in fixed rate of 1.2073% until 31 May 2016. The facility can be cancelled at any time without cost to the Company.

On 31 May 2017 the loan was rolled over with a maturity date of 30 June 2017.

12 Called up Share Capital

	2017 £'000	2016 £'000
Called-up, allotted and fully paid		
41,281,361 (2016 - 39,896,361) Ordinary shares of 25p	10,320	9,974

The ordinary shares carry the right to receive any dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the shares or on the transfer of the shares.

During the year to 30 April 2017 there were 1,385,000 new Ordinary Shares of 25p each issued by the Company for cash proceeds totalling £2,334,000

During the year to 30 April 2016 there were no new Ordinary shares of 25p each issued by the Company.

The costs of the operation of the discount control mechanism of £25,000 have been charged against the premium on shares issued.

13 Capital Reserve

	2017 £'000	2016 £'000
Balance brought forward	2,319	4,325
Movement in fair value gains/(losses)	8,855	(1,723)
Foreign exchange movement	(4)	16
Expenses allocated to capital reserves	(287)	(299)
Balance carried forward	**10,883**	**2,319**

The capital reserve includes investment holding gains amounting to £8,301,000 (2016 - gains of £3,191,000), as disclosed in note 9.

14 Commitments and Contingencies

As at 30 April 2017 there were no contingent liabilities (2016 - nil).

As at 30 April 2017 there was a commitment fee of £3,000 payable to the Royal Bank of Scotland on the undrawn bank loan facility.

As at 30 April 2016 there was no commitment fee payable to The Royal Bank of Scotland as the bank loan was fully drawn down.

15 Net Asset Value Per Equity Share

	2017	2016
Net assets attributable	£69,780,000	£58,628,000
Number of Ordinary shares in issue	41,281,361	39,896,361
Net asset value per Ordinary share	169.04p	146.95p

16 Risk Management, Financial Assets and Liabilities

The Company's financial instruments comprise:

– Equities that are held in accordance with the Company's investment objective, which are set out on page 1 of this Report;

– Term loans, the main purpose of which is to raise finance for the Company's operations;

– Cash and liquid resources that arise directly from the Company's operations; and

– Other short term debtors and creditors.

The main risks arising from the Company's financial instruments are market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not considered to be significant as the Company's assets comprise of mainly readily realisable securities, which can be sold to meet funding commitments if necessary. The maturity profile is disclosed below.

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

A list of the investments held by the Company at 30 April 2017 is shown in the 'Investment Portfolio' table on pages 11 and 12. All investments are stated at fair value.

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 April 2017 would have increased/decreased by £7,083,000 (2016 - increase/decrease of £6,299,000) and equity reserves would have increased/decreased by the same amount.

Market risk includes interest rate risk, foreign currency risk, other price risk.

Interest Rate Risk

Financial Assets

Prices of bonds and open ended investment companies (on a look-through basis) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Financial Liabilities

The Company finances its operations through the use of a loan facility. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Maturity Profile

The maturity profile of the Company's financial assets and liabilities at 30 April 2017 and 30 April 2016 was as follows:

At 30 April 2017	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Bank loan	(7,006)	-	-	(7,006)
Cash	3,341	-	-	3,341

Details of the Company's loan is shown in note 11. All the other financial assets and liabilities do not have a maturity date.

At 30 April 2016	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Bank loan	(7,007)	-	-	(7,007)
Cash	676	-	-	676

Interest Rate Sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for floating interest investments and borrowings at the Balance Sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of investments that have floating rates.

If interest rates had been 100 basis points higher or lower respectively and all other variables were held constant, the Company's:

– Profit before tax for the year ended 30 April 2017 would decrease/increase by £36,000 (2016 - £63,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings and floating rate cash balances. These positions have been calculated based on cash balance and borrowing positions at each year end.

– Profit before tax for the year ended 30 April 2017 would increase/decrease by £140,000 (2016 - £107,000). This is mainly attributable to the Company's exposure to interest rates on its third party managed debt funds, which are both fixed and variable rate vehicles. This is based on assumptions of modified duration on third party funds held.

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the interest rate risk management process used to meet the Company's objectives. The risk parameters used will fluctuate depending on the current market perception.

Foreign Currency Risk

The income and capital value of the Company's investments are mainly denominated in Sterling; therefore, the Company is not subject to any material risk of currency movements and therefore no sensitivity analysis is presented in this regard. At the year end the Company held the following investments denominated in foreign currencies:

	2017		2016	
	Currency	Sterling equivalent	Currency	Sterling equivalent
Euro	530	446	644	505
US	6,377	4,926	5,657	3,872
Canadian Dollar	-	-	504	274

At the year end the Company held foreign currency cash balances with the sterling equivalent of £83,000 (2016 - £60,000).

Other Price Risk

Other price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on page 15, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The vast majority of investments held by the Company are listed on various stock exchanges worldwide.

Credit Risk

Credit risk represents the failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not considered significant, and is managed as follows:

– investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports by the Administrator on a daily basis. In addition, the Administrator carries out a stock reconciliation to the Custodian's records on a weekly basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its findings to the Manager's Risk Management Committee; and

– cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date, hence no separate disclosure is required.

17 Capital Management Policies and Procedures

The Company's capital management objectives are:

– to ensure that the Company will be able to continue as a going concern; and

– to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 20% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

Capital management	2017 £'000	2016 £'000
Debt		
Bank loan	7,000	7,000
Equity		
Equity share capital	10,320	9,974
Retained earnings and other reserves	59,460	48,654
	69,780	58,628
Debt as a % of net assets	10.03	11.94

The Company considers the above headings to be the capital that it manages.

18 Fair Value Hierarchy

The Company adopted the amendments to Financial Reporting Standard 102 which requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Level 1: the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

– Level 2: inputs other than quoted prices included within Level 1 that are either observable (i.e. developed using market data) for the asset or liability, either directly or indirectly; and

– Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 30 April 2017 as follows:

Financial assets at fair value through profit or loss	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2016 Total £'000
Quoted Equities	a)	52,314	-	-	52,314	45,703*	-	-	45,703
OEICs	a)	17,441	621	446	18,508	15,447	629	505	16,581
Unquoted Equities	b)	-	-	2,109	2,109	-	-	2,384*	2,384
Net fair value		**69,755**	**621**	**2,555**	**72,931**	**61,150**	**629**	**2,889**	**64,668**

* The 2016 disclosure has been updated to correct a prior year error in the categorisation of quoted and unquoted investments. To rectify the error, the value of the 2016 level 1 quoted equities has been reduced by £9,000, and the value of the 2016 level 3 unquoted equities has been increased by £9,000. This movement relates to the classification of a delisted equity which should have been categorised as a level 3 unquoted equity in the prior year.

(a) Quoted Investments

Quoted Equities included in Fair Value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments have been determined by reference to their quoted bid prices at the reporting date. The fair value for OEICs included in Level 1 and Level 2, have been determined based on prices published by the relevant Fund Manager. Those OEICs included within Level 1 are quoted in an active market.

(b) Unquoted Investments

The fair value of the Company's investments in unquoted stocks have been determined by reference to primary valuation techniques described in note 1(b).

A reconciliation of fair value measurements in Level 3 is set out in the following table:

	Equity investments £'000	Total £'000
Opening balance	2,889	2,889
Purchases	-	-
Sales	(302)	(302)
Total gains or losses included in gains on investments in the Income Statement:		
- on assets sold	27	27
- on assets held at the end of the year	(59)	(59)
Closing balance	**2,555**	**2,555**

19 Related Parties

The Directors of the Company receive fees for their services. Further details are provided in the Directors' Remuneration Report on pages 28 and 29.

Glossary of Terms and Definitions

Actual Gearing	Total assets (as below) less all cash divided by shareholders' funds.
Asset Cover	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
Premium/(Discount)	The amount by which the market price per share of an investment trust is lower or higher than the net asset value per share. The discount or premium is normally expressed as a percentage of the net asset value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. To calculate the net asset value per Ordinary share the net asset value divided by the number of shares in issue produces the net asset value per share.
Ongoing Charges ratio	A measure of all operating costs incurred in the reporting period, calculated as a percentage of average net assets in that year. Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments, interest costs, taxation and the costs of buying back or issuing ordinary shares.
Potential Gearing	Total assets (as below) divided by shareholders' funds.
Price/Earnings Ratio	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Redemption Yield	The measure of the annualised total return on the current price of a security up to the date of its repayment. The calculation is based on aggregated income and capital returns, no account being taken of taxation.
Total Assets	Total assets less current liabilities (excluding prior charges as defined above).
Total Return	Total return involves reinvesting the net dividend in the month that the share price goes xd. The NAV total return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Corporate Information

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Ian R Davis
James R McCulloch

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