Menhaden Resource Efficiency

Menhaden Resource Efficiency PLC
Annual Report for the year ended 31 December 2021

Company Summary

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

Investment Objective

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

Management

The Company employs Frostrow Capital LLP ("Frostrow") as its Alternative Investment Fund Manager ("AIFM") to provide company management, company secretarial, administrative and marketing services. Frostrow and the Company have jointly appointed Menhaden Capital Management LLP as the Portfolio Manager. Further details of these appointments are provided on pages 23 and 24.

Capital Structure

The Company's capital is composed solely of ordinary shares. Details are given on page 36 and in note 13 to the financial statements on page 74.

ISA Status

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

Retail Investors advised by IFAs

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

Menhaden

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

Frostrow CAPITAL

PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

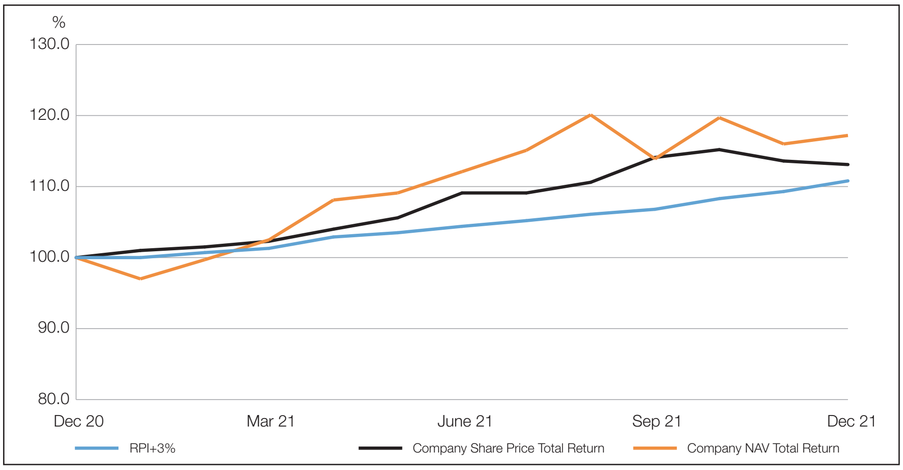
Company Performance

As at 31 December 2021	For the year ended 31 December 2021
155.7p NAV per share 2020: 132.7p	**17.3%** NAV per share (total return)* 2020: 13.2%
112.0p Share price 2020: 99.0p	**13.1%** Share price (total return)* 2020: 3.0%
28.1% Share price discount to NAV per share* 2020: 25.4%	**1.8%** Total ongoing charges* 2020: 2.0%

This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 82 and 83 gives definitions for frequently used terms.

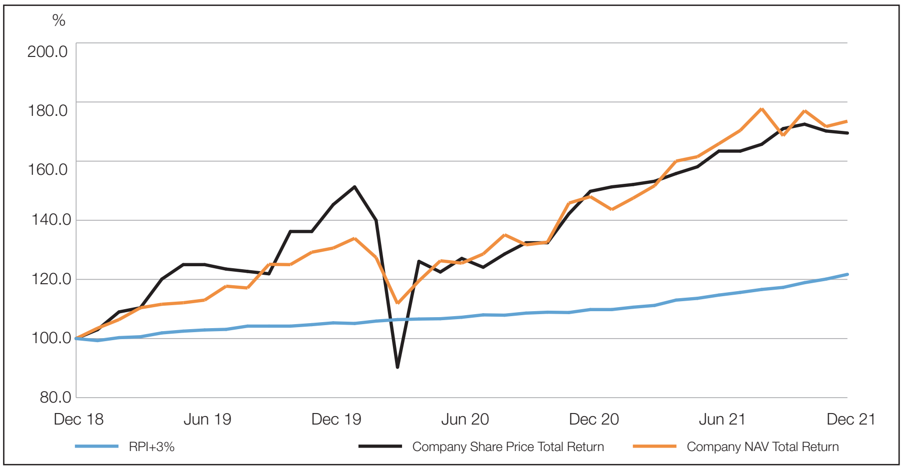
**Alternative performance measures ("APMs")*

Total Return Performance – One Year



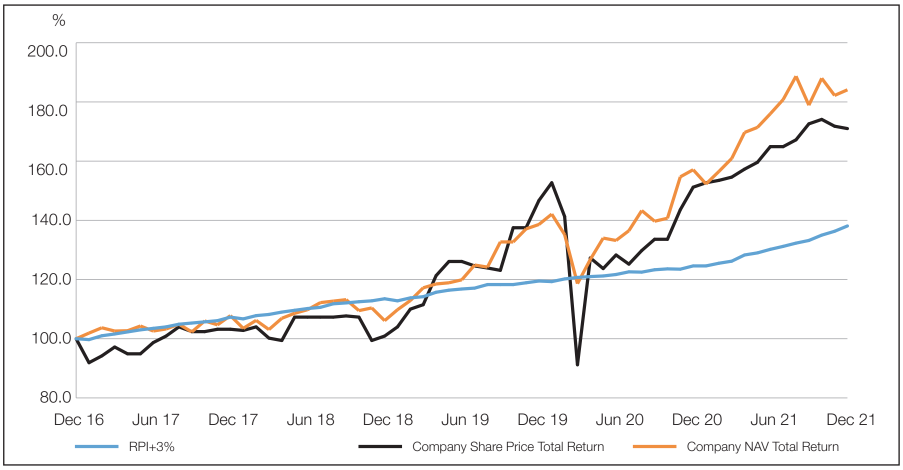
Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2020

Total Return Performance – Three Years



Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2018

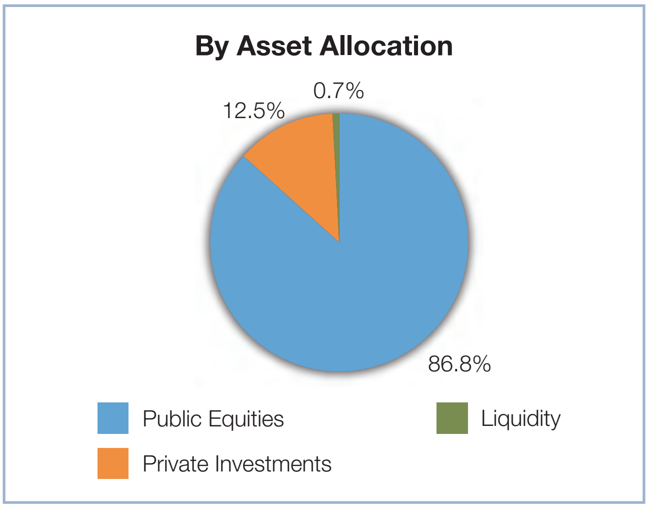
Total Return Performance – Five Years

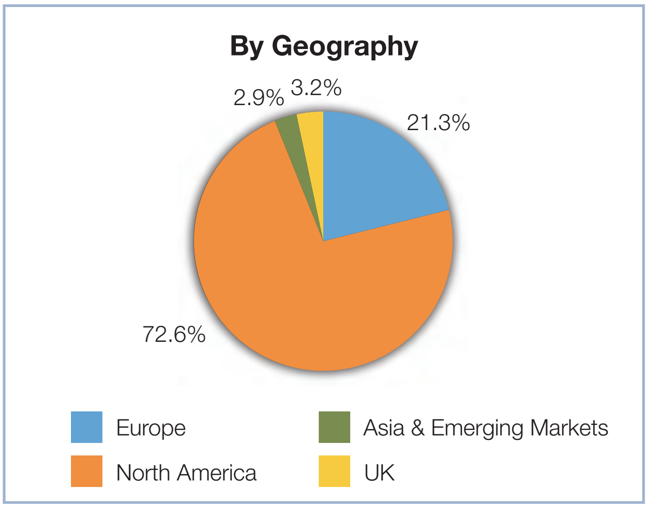


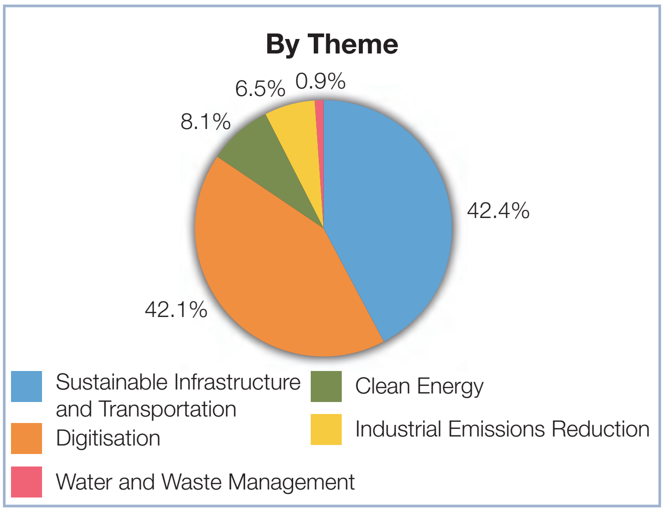
Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2016

Portfolio Profile

Portfolio Distribution







Investment Themes

Theme	Description
Clean energy	Companies involved in the production and transmission of power from clean sources such as solar or wind.
Industrial emissions reduction	Companies focused on improving energy efficiency (e.g. in buildings or manufacturing processes) or creating emissions reduction products or services.
Sustainable infrastructure and transportation	Companies in the infrastructure and transport sectors helping to reduce harmful emissions.
Water and waste management	Companies with products or services that enable reductions in usage/volumes and/or smarter ways to manage water and waste.
Digitisation	Companies that facilitate reduced resource consumption through digital technology.
Reporting	Companies providing the means for environmental reporting and evaluation.

Chairman's Statement

Sir Ian Cheshire

I am pleased to present our seventh annual report since the launch of the Company in July 2015. This report covers the year ended 31 December 2021.

Performance

The Company's net asset value ("NAV") per share total return* for the year was 17.3% (2020: 13.2%), which compares favourably with the 10.5% (2020: 4.2%) increase of our RPI+3% primary performance comparator and reflects good portfolio performance over the period. Indeed, this brings the compound NAV performance over the last five years to approximately 13% per annum.

However, it is disappointing that this did not translate into stronger market demand for the shares and, consequently, the price at which they trade. The price lagged the NAV, resulting in a less impressive, though still respectable, share price total return* of 13.1% (2020: 3.0%).

Albeit with some bouts of volatility along the way, equity markets made positive progress through 2021 and this was reflected in the Company's performance. The leading contributors to performance in the year were the holdings in the digitisation space, notably Alphabet and Microsoft because of the holding sizes, but all of the holdings within that theme benefited from the accelerated digital transformation being driven along by the evolution of working practices and consumer behaviour during the pandemic.

The Board is reassured by the positive performance of the portfolio and the disciplined approach of our Portfolio Manager in pursuit of their investment strategy: selecting competitively advantaged businesses that are demonstrably delivering or benefiting significantly from the efficient use of resources.

Our Portfolio Manager has provided a full description of the development and performance of the portfolio over the year in the Portfolio Manager's Review on pages 14 to 17.

Environmental Impact

As in past years, we have integrated the Company's Environmental Impact Report within the annual report. It can be found on pages 18 to 21. This year saw the total tonnes of greenhouse gas ("GHG") emissions avoided by our investments (*as a proportion based on the portfolio's ownership levels in each company*) almost double to over 58,000 tonnes. The amount of clean electricity generated by the portfolio almost tripled to over 94,000 megawatt hours.

During 2021 the commitments of the portfolio's listed equity holdings were assessed against the Paris Agreement. While most are working towards the target 2°C limit by 2050, we have reservations about two investee companies. Our Portfolio Manager will increase engagement with them in 2022 in pursuit of a lowering of their future climate impact.

We are pleased that a third of the portfolio's equity holdings have now set targets that have been independently validated by the Science Based Targets initiative. This means they have a clearly defined pathway to reduce their GHG emissions in line with the goals of the Paris Agreement.

We are aware that the sectors represented in the portfolio, including transport, infrastructure and waste management, intersect closely with natural environments, so we are keen to see the companies we invest in actively reporting on the impacts of their activities upon local flora and fauna, soil quality and natural environments. Therefore, a focus for 2022 is to encourage more investee companies to take action on protecting nature and biodiversity.

The report is also made available as a separate document, which includes the methodological detail, on our website www.menhaden.com.

Investment Policy

When the Company was launched in 2015 the investment policy, as set out in the IPO prospectus, reflected the intention that the portfolio would be comprised of three main allocations: listed equity; yield assets; and special situations (the last being private equity investments). Since then, the Company has consistently disclosed the portfolio composition according to those three categories. However, in the current economic environment it has proven to be very difficult to find investments suitable for the portfolio with attributes that would cause them to be identified as yield assets. Additionally, those that were identified have tended to also fall into the special situations (private equity) category. Accordingly, we have concluded that the yield assets description is superfluous and, therefore, have made a minor change to the Company's investment policy to remove the reference to a yield assets allocation. The investment policy, which is set out on page 8, now says: "The Company

**Alternative Performance Measure (see Glossary beginning on page 82)*

Chairman's Statement
continued

invests, either directly or through external funds, in a portfolio that is comprised predominantly of a combination of listed equities and private equity investments". There is no change to the way investments are selected for the portfolio.

Investment Themes

We also reviewed the investment themes by which the Company's investments are categorised and concluded that it would be helpful to redefine these in order to provide investors with a more meaningful profile of the portfolio. In particular, we noted that most of the investments tended to fall into the "resource and energy efficiency" theme and considered that it would be helpful to break this down further. The revised themes, together with their definitions, are set out on page 4.

The Board

The Board announced in January the appointment of Barbara Donoghue as a non-executive Director, with effect from 1 February 2022. She has a wealth of entrepreneurial and corporate experience and I am confident she will be an asset to the Board. In making this appointment the Board took due consideration of its balance of skills, experience, knowledge and diversity and we recommend that shareholders support her election at the forthcoming Annual General Meeting ("AGM").

The Board also announced in January that Emma Howard Boyd will be stepping down from the Board at the conclusion of this year's AGM. I would like to take this opportunity to thank her for her contribution to the Board since the Company's launch.

We will continue to explore Board refreshment opportunities to ensure an orderly Board succession in line with corporate governance guidelines and the Company's policy on Directors' tenure, and also with an eye on diversity.

Share Price Discount

The Company's share price discount continues to be a matter that the Board monitors closely. At the year-end, the discount* to the NAV per share at which the Company's shares trade had widened to 28.1% (2020: 25.4%) and the discount currently remains around this level.

As was expressed last year, the Board's aim is for the Company to eventually be in a position to grow through the issuance of new shares and the Board is, accordingly, asking shareholders to renew the Directors' share issuance authorities at this year's AGM. Enlarging the capital base will reduce the annual ongoing charges and enhance the secondary market liquidity of the Company's shares, which the Board believes is in the interests of all shareholders. However, the Company can only issue new shares at a price representing a premium to the NAV per share and therefore the Board remains focused on improving the Company's share rating through investment performance and an effective marketing strategy.

Reiterating previous statements on share buybacks, the Board continues to be of the opinion that buybacks are not always in the interests of shareholders, since this would reduce the size of the Company and increase the ongoing charges ratio. Instead, as mentioned above, in addition to monitoring the Portfolio Manager's performance, the Board and the AIFM have focused on the Company's marketing and distribution strategy. However, the Board keeps the possibility of share buybacks under continuous review. Accordingly, the Board is asking shareholders to renew the authority to repurchase existing shares in the market at the forthcoming AGM.

Annual General Meeting

The Company's seventh AGM will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on Thursday, 22 June 2022 at 12 noon. The Notice convening the AGM together with explanations of the proposed resolutions can be found on pages 86 to 92.

It is hoped that this year it will be possible to hold the AGM in its normal format at the venue set out above. However, in case Government guidance once again restricts attendance the Board strongly encourages shareholders to register their votes online in advance by visiting www.signalshares.com and following the instructions on the site. Appointing a proxy online will not restrict shareholders from attending the meeting in person should they wish to do so, subject to any Government guidance to the contrary. The Board will keep the situation under review and should it be necessary to restrict attendance this will be communicated via the Company's website. Shareholders are encouraged to consult the Company's website at www.menhaden.com for any late changes to the arrangements.

Should it not be possible to hold the AGM in the normal format, the Board currently expects to adopt the same approach as last year, combining a closed AGM with a webinar to enable the Portfolio Manager to give a presentation online. Shareholders should send any questions they may have to the Company Secretary by email to info@frostrow.com ahead of the meeting. Details on registering for the webinar will be made available nearer the time if this alternative becomes necessary.

Dividend

The Company's dividend policy is that the Company will only pay dividends sufficient for it to maintain investment trust status. The revenue return for the year to 31 December 2021 means that a dividend must be paid to meet this requirement. Consequently, the Board is recommending to shareholders that a final dividend of 0.2p (amounting to £160,000 in total) be declared in respect of the year ended 31 December 2021 and a corresponding resolution has been included in the Notice of Meeting for the AGM. If this resolution is passed the dividend will be payable on 29 June 2022 to shareholders on the register on 6 June 2022. The shares will be marked ex-dividend on 1 June 2022.

Outlook

It is apparent from our primary performance comparator that inflation increased significantly in the year to December 2021. This is principally a consequence of the increased money supply from Government and central bank policy responses to Covid-19. It has manifested particularly in energy prices and where supply chain shortages have arisen, but it can be expected to continue more broadly. It is unlikely that this is a short-term transitory effect. On the plus side, equities kept ahead of inflation in the year and historically have been proven to be a good place to be invested during inflationary times.

Our portfolio is well placed, with pricing power being a key attribute that our Portfolio Manager looks for in investment propositions.

Following COP26 in November 2021 progress on the transition to net zero appears to be an increasing investor priority as well as being a political focus, which corresponds well with the Company's resource efficiency investment thesis.

Whilst the Board shares global concern about the Russian aggression in Ukraine, to the best of our current knowledge the situation should have no direct impact on the Company and while one portfolio company is affected by the Russian sanctions, Safran, its share price has recovered to December levels after initial volatility. As far as we are aware there are no Russian shareholders and services provided to the Company are not affected by any sanctions.

The Board remains confident about the resilience and long-term prospects of the portfolio as well as the prospects of the environmental and resource-efficiency sectors.

Sir Ian Cheshire
Chairman
20 April 2022

Investment Objective and Policy

Investment Objective

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

To reflect its non-benchmarked total return investment strategy, the Company uses RPI+3% as its primary long-term financial performance comparator. In addition to this absolute return performance measure, the Company also uses a range of specialist, sectoral and peer group benchmarks to assess its relative performance.

Investment Policy

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

Asset Allocation

The Company invests, either directly or through external funds, in a portfolio that is comprised predominantly of a combination of listed equities and private equity investments.

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

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

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

Geographic Focus

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

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

Investment Restrictions

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

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

Hedging

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

Cash Management

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

Borrowing and Leverage Limits

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

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

In addition, the Alternative Investment Fund Managers Regulations ("UK AIFMD") require the Company, which is an Alternative Investment Fund ("AIF") under the regulations, to set maximum leverage limits corresponding to the UK AIFMD leverage definition. The UK AIFMD defines leverage as any method by which the total exposure of an AIF is increased and provides two calculation methods (gross and commitment), as further explained in the Glossary on page 82 and in the separate UK AIFMD periodic disclosures document on the Company's website.

Other Investment Restrictions

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

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

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

In the event of any material breach of the investment restrictions applicable to the Company, shareholders will be informed of the actions to be taken by the Alternative Investment Fund Manager ("AIFM") through a Regulatory Information Service announcement.

Investment Committee

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

Graham Thomas

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

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

Ben Goldsmith

Ben is the chief executive officer of Menhaden Capital Management LLP. Before co-founding Menhaden, Ben co-founded WHEB Asset Management, one of Europe's leading sustainability-focused investment management firms. Ben is a director of Cavamont Holdings, the Goldsmith family investment vehicle.

Ben chairs the UK Conservative Environment Network, and is a Trustee of The Children's Investment Fund Foundation, a globally leading climate and health focused philanthropic foundation. Ben is a non-executive director of the UK Government's Department for Environment, Food and Rural Affairs.

Luciano Suana

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

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

Investment Process

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

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

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

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

Investment Committee

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

Investment Network

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

Portfolio

Investments held as at 31 December 2021

Investment	Country/region	Fair Value £'000	% of Total Net Assets
Alphabet	United States	34,757	27.9
Charter Communications	United States	21,974	17.6
Microsoft	United States	15,390	12.4
X-ELIO*[1]	Spain	10,174	8.2
Canadian Pacific Railway	Canada	9,273	7.5
Safran	France	8,117	6.5
VINCI	France	6,502	5.2
Canadian National Railway	Canada	6,258	5.0
John Laing*[2]	UK	4,000	3.2
Ocean Wilsons	Bermuda	3,650	2.9
Top Ten Investments		**120,095**	**96.4**
TCI Real Estate*	United States	1,602	1.3
ASML	Netherlands	1,187	1.0
Waste Management	United States	1,109	0.9
KLA	United States	826	0.7
LAM Research	United States	796	0.6
Total Investments		**125,615**	**100.9**
Other Liabilities		(1,084)	(0.9)
Total Net Assets		**124,531**	**100.0**

[1] Investment made through Helios Co-Invest L.P. [2] Investment made through KKR Aqueduct Co-Invest L.P. * Unquoted

Business Description	Theme
Delivers a range of internet based products and services for users and advertisers, which are powered by renewable energy with the group being the largest corporate buyer of renewable power worldwide	Digitisation
Owns and operates telecommunications infrastructure across the USA, which will underpin the Internet of Things	Sustainable infrastructure and transportation
Provides cloud infrastructure and software services which deliver energy efficiency savings for customers versus legacy solutions	Digitisation
Develops and operates solar energy assets	Clean energy
Owns and operates (fuel-efficient) freight railways in Canada and the USA	Sustainable infrastructure and transportation
Designs, manufactures and services next generation aircraft engines which offer significant fuel efficiency savings	Industrial emissions reduction
Builds and operates energy efficient critical infrastructure assets	Sustainable infrastructure and transportation
Operates rail freight services across North America, which represent the most environmentally friendly way to transport freight over land	Sustainable infrastructure and transportation
Portfolio of mostly renewable, rail and social infrastructure assets	Sustainable infrastructure and transportation
Operates ports and provides (lower climate impact) maritime services in Brazil	Sustainable infrastructure and transportation
Invests in energy-efficient real estate projects	Sustainable infrastructure and transportation
Develops, manufactures & services advanced lithography systems used to produce more energy efficient semiconductor chips	Digitisation
Provides waste management and environmental services in North America	Water & waste management
Develops, manufactures & services inspection and metrology equipment used to increase the efficiency of semiconductor manufacturing	Digitisation
Develops, manufactures & services etching & deposition equipment used to produce more energy efficient semiconductor chips	Digitisation

Portfolio Manager's Review

Performance

During 2021, the Company's NAV per share increased from 132.7p to 155.7p. This represents a total return of 17.3% and compares to the RPI+3% total return of 10.5%. The price at which the Company's shares traded was at a 28.1% discount to NAV at 31 December 2021, having widened from 25.4% at the end of 2020. The contributions to the 17.3% NAV per share total return over the period are summarised below:

Asset Category	31 December 2021 NAV %	Contribution %
Public Equities	88.2	20.6
Private Investments	12.7	1.3
Cash	0.7	–
Foreign Exchange Forwards	(0.1)	(1.1)
Performance Fee & Other Accruals	(1.5)	(1.7)
Expenses		(1.8)
Net Assets	**100.0**	
Net Return		**17.3**

Financial conditions remained benign during 2021 but central banks, led by the US Federal Reserve, latterly signalled their intention to gradually tighten monetary policy, given inflation concerns. Equity markets stayed buoyant, albeit with significant dispersion between sectors and individual companies.

Given the successful exits of private investments over the last few years, our portfolio is overweight public equities. **Alphabet** and **Microsoft** both performed exceptionally well, accounting for the majority of our investment performance. **Waste Management** and our semiconductor capital equipment companies were also notable contributors. **Charter Communications** ended the year approximately flat, whilst **Safran** was the single largest detractor. Key investment decisions included exits from both Airbus and Union Pacific, the material increase of our position in **Microsoft** and the initiation of a new position in French infrastructure group, **VINCI**.

Our private investment activity was limited, with **X-ELIO** and **TCI Real Estate Partners III** each making a return of capital payment and the completion of the sale of Calisen. However, we were pleased to announce the completion of a new private investment in infrastructure operator and developer, **John Laing**, in December 2021. This is our third co-investment with KKR.

Quoted Equities

Our portfolio of quoted equities represented 88.2% of net assets at 31 December 2021, and delivered a total return of 24.9% over the period, adding 20.6% to our NAV.

Investment	Increase/ (Decrease) %	Contribution to NAV %
Alphabet	65.3	13.1
Microsoft	51.2	4.4
Waste Management	41.5	0.8
Canadian National	11.8	0.7
Ocean Wilsons	10.4	0.6
ASML	77.8	0.6
Canadian Pacific	3.8	0.4
KLA	66.1	0.4
LAM Research	52.3	0.4
Airbus	11.4	0.3
Charter Communications	(1.4)	–
Union Pacific	1.7	–
VINCI	3.1	(0.1)
Safran	(7.1)	(1.0)

Note: Percentage increase/decrease for individual holdings is calculated on their local currency and based over the holding period if bought or sold during the year.

Alphabet was the standout contributor to our performance and was our largest holding at 31 December 2021, representing 27.9% of NAV. In our view the shares continue to offer one of the most attractive risk-rewards in the market. We believe **Alphabet** has a formidable business model and market position and yet it traded on a similar multiple to the S&P 500 market at 31 December 2021. Whilst we continue to carefully monitor the various antitrust cases against the company, we remain confident about **Alphabet's** prospects and believe that the secular growth of digital advertising, successful scaling of the Google Cloud business and improving capital allocation will continue to drive significant earnings growth in the years ahead. Importantly, **Alphabet**

continues to set new sustainability targets. Building on its pledge to operate on carbon-free energy everywhere, at all times, by 2030, we were also pleased to see, in September 2021, that the company aims to replenish 120% of the water it consumes across its datacentres and offices.

Microsoft was also a very strong contributor, validating our decision to materially increase our position in late April and early May. Following these additional purchases, the shares rose more than 30% over the remainder of the calendar year. The holding represented 12.4% of NAV at 31 December 2021. We expect the group to continue benefiting from the secular digitisation theme for many years. CEO Satya Nadella expects IT spending to increase from 5% to 10% of GDP by the end of the decade. The company is the key technology partner for all enterprises and its software products are ubiquitous. Following **Alphabet's** lead, **Microsoft** now also aims to operate on carbon-free energy everywhere, at all times, by 2030. Furthermore, the company wants to be carbon negative in the same timeframe and to have removed all carbon it has emitted since its founding by 2050. During the calendar year, **Microsoft** announced a 15% blended average price increase for Office 365, the largest since its launch a decade ago. We do not expect the move to have any material impact on customer retention and believe it clearly demonstrates the group's pricing power. In our mind this is emblematic of the type of company we want to hold in the portfolio.

Following a period of moving sideways in the prior year, **Waste Management** shares delivered robust performance in 2021. The company benefited from both the recovery in economic activity and its successful integration of Advanced Disposal Services, which included upgraded synergy targets. With the share price multiple at an all-time high, we opted to realise some profits in December and sold a portion of our holding. We continue to expect the shares to deliver steady performance over time, with the company offering an appealing combination of predictable free cash flow generation, solid competitive position and a shareholder friendly management team. We are also pleased with the company's progress on its environmental goals. Whilst **Waste Management's** services currently avoid three times more emissions than are generated by its operations, management is aiming to increase this figure to four times by 2038. The company is increasingly harnessing the methane gas emitted from its landfill facilities by transforming it into renewable natural gas and is currently using it to power approximately one quarter of its vehicle fleet.

Consolidation surged back onto the North American railroad industry agenda, with both **Canadian National** and **Canadian Pacific** making bids to buy Kansas City Southern. The well reported tussle between the two companies ended with **Canadian Pacific** as the only viable acquirer, after regulatory uncertainty effectively stymied **Canadian National's** bid. **Canadian Pacific** announced the completion of its acquisition in December 2021, but it remains subject to the merger being approved by the United States Surface Transportation Board. **Canadian Pacific** expects to be able to start integrating Kansas City Southern in late 2022. However, if the Surface Transportation Board does not approve the transaction, **Canadian Pacific** will have to sell the business, possibly at a loss. We think this is unlikely due to the transaction's procompetitive characteristics and the regulator's positive reception so far, in contrast to its opposition to **Canadian National's** bid.

Our thesis for both companies is unchanged, with rail as the most environmentally friendly way of transporting freight over land. Current locomotives are four times more fuel efficient than trucking on a per unit basis. Both businesses possess very strong competitive positions, which we believe provides them with real pricing power. We are also optimistic on the **Canadian Pacific**-Kansas City Southern combination, which will create a unique network spanning three North American countries. There will be a significant opportunity to grow volumes by converting road freight to new rail services between Mexico, Texas and the Upper Midwest.

Separately, we opted to exit our position in the Canadian railroads' peer, Union Pacific, in March and reallocate the proceeds within the portfolio to opportunities offering a better balance between risk and reward.

The global semiconductor shortage seems to be persisting due to rapid demand growth driven by cloud computing, artificial intelligence, 5G, the Internet of Things and the digitisation of the automotive industry. Significant capital investments by the industry to expand capacity have proven a boon for our semiconductor capital equipment companies, **ASML, Lam Research** and **KLA**. Since our initial purchases in October 2020, each company's share price had more than doubled at the year end. They each dominate their respective niche and play a critical role in helping the wider industry both maximise semiconductor production from finite resources and develop and produce more advanced and energy efficient chips. Whilst

Portfolio Manager's Review
continued

semiconductors remain a secular growth story, we are aware that the path forward is likely to include ups and downs. We opted to trim each position towards the end of the year.

During the year **Ocean Wilsons** subsidiary, Wilson Sons, announced a corporate restructuring which transferred its listing to the Brazilian market. This process was completed in October and should enable Wilson Sons' shares to be included in Brazilian and Latin American stock market indices. Whilst investors initially reacted favourably to the news, the shares gave up some of the gains towards the year end. Operationally, container and towage volumes are recovering at the ports in Brazil and longer term we believe a growing Brazilian market will drive a significant improvement in the group's financial performance. Furthermore, we believe that there is significant value in the shares, with the current price implying a value for the ports business of only 3.5 times normalised EBITDA.

Charter Communications remains our second largest holding, representing 17.6% of NAV. The shares reversed their strong performance in the first eight months of the year to end it approximately flat. This was driven by investors' concerns around future broadband subscriber growth, with the rate of quarterly net additions slowing. We believe this only natural following a Covid-19 induced pull forward of demand. **Charter Communications** offers consumers an attractive value proposition through the bundling of broadband and mobile services, which we believe other providers will struggle to match. Our thesis remains that **Charter Communications'** hybrid fibre coax network will serve as a key piece of infrastructure in the ongoing digital transformation, with the company's moves to secure valuable wireless spectrum in recent auctions set to further increase its importance. Whilst we are aware of growing competition from new fibre buildouts and fixed wireless, we currently believe the company can continue to raise penetration across its footprint in both broadband and mobile, supporting growing free cash flow and higher capital returns.

We initiated a new position in French infrastructure group **VINCI** in April 2021. The company has a strong track record of building and operating critical infrastructure assets around the world and is currently transforming its business, with the aim of achieving a 40% reduction in carbon emissions by 2030. Last year the group successfully raised its inaugural green bond of €500 million, and the recently announced deal to acquire the ACS Energy business provides it with a best in class renewable energy development platform. We believe the company is extremely well placed for an inflationary environment, with its infrastructure concessions being government authorised monopolies that benefit from inflation-linked pricing power. The position represented 5.2% of NAV at 31 December 2021.

Airbus and **Safran** continue to work diligently to help aviation transition to a more sustainable footing, with the industry targeting a 50% reduction in carbon emissions by 2050 under the Carbon Offsetting and Reduction Scheme for International Aviation. Both Airbus and **Safran** are working to realise the goal of presenting the first zero-emission commercial aircraft by 2035 as part of the French government's plan. Commercial air travel continued to rebound over the year. There are significant disparities between different regions and countries but people are flying again when and where permitted. There is still uncertainty as to when international travel will fully recover, especially with China's borders remaining effectively closed. With both companies' share prices having recovered significantly from their lows, we opted to take some profits in April 2021. We chose to fully exit our position in Airbus and to trim our position in Safran, which represented 6.5% of NAV at 31 December 2021. Since our original investment in Airbus in May 2016, we have generated an IRR of 28%.

Private Investments

Our portfolio of private investments represented 12.7% of our total NAV at 31 December 2021, and delivered total returns of 8.9% during the period, adding 1.3% to our NAV.

Investment	Increase/ (Decrease) %	Contribution to NAV %
X-ELIO	9.8	1.0
TCI Real Estate	21.9	0.2
Calvin Capital	–	0.1
John Laing	–	–

Note: Percentage increase/decrease for individual holdings is calculated on their local currency and based over the holding period if bought or sold during the year.

X-ELIO, the Spanish solar operator and developer, continues to execute well. In Spain, the company was recently successful in bidding for 315 megawatts of new development and announced a partnership with integrated energy company ENI to jointly develop a further 140 megawatts of capacity. The value of our holding was marked up according to the co-investment manager's latest valuation in May and we subsequently received a £2 million cash distribution from the company, in relation to proceeds from the sale of assets. This reduced the value of our holding and left **X-ELIO** representing 8.2% of our NAV at the period end.

Our original investment in **TCI Real Estate Partners Fund III** in 2018 incorporated a commitment to invest additional follow-on amounts to support further fund investments. Whilst we had hoped they would draw down additional capital from our commitment over the year under review, the opposite occurred with our receipt of a US$2.2 million distribution in June. This reflected the return of capital and income proceeds realised after David Lloyd Leisure repaid the fund following a successful refinancing.

Following the completion of the sale of Calisen we received cash proceeds of £6.1 million. We were pleased with this result, with the transaction representing a return on investment of approximately 1.8 times over four years, equivalent to a net IRR of approximately 15%.

We were also pleased to complete a new co-investment with KKR in **John Laing** in December 2021. Our initial £4 million investment equated to 3.2% of our NAV at 31 December 2021 and was funded from cash on hand and partial sales of existing quoted equity positions. The company is an originator, developer and owner of core mid-market infrastructure assets primarily across Europe, North America and Australia. The company works to mitigate the environmental impact of its operations on an asset by asset basis and has committed itself to the net zero transition for its business, with an aim to complete this for direct operations ahead of the collective 2050 target. We expect the development pipeline of infrastructure assets to provide us with opportunities to commit additional capital over time.

FX Hedges

Our currency hedges are in place to lower the volatility of our sterling reporting currency returns by reducing non-sterling exposure related to investments that are denominated in other currencies. We have been using currency forward contracts to hedge between half and two thirds of our EUR and USD denominated exposures. The depreciation of sterling during the period meant that we incurred a small loss on these currency forward contracts on a standalone basis, equivalent to 1.1% of the NAV.

Outlook

Forecasting the future is fraught with difficulty and so we focus on investments which require us to make as few predictions as possible. We believe our criteria of resource efficiency, quality and value should leave our portfolio well placed to generate superior returns over time relative to the risk taken, in most market conditions. Whilst the prospect of tightening monetary policy has had a significant impact on valuations in certain pockets of the market, our quoted equities have been less affected. If current rates of inflation remain high, and real interest rates negative, we believe our focus on companies with pricing power will keep us in good stead. The presence of better opportunities within public markets has limited our private investment activity after a series of successful realisations. We continue to search diligently for suitable private investments that offer an attractive balance between risk and reward, but intend to make sure we only make investments that improve the quality of the portfolio. We are pleased to report that the Company's net asset value has now successfully compounded at circa 13% annually, after fees, for over five years.

	Net Asset Value £'000	NAV per share pence
31 December 2016	68,283	85.4
31 December 2021	124,531	155.7
Annualised Net Return		12.9%

Menhaden Capital Management LLP
Portfolio Manager
20 April 2022

Environmental Impact Statement

Foreword

2021 was a landmark year for climate conscious investors. The latest IPCC assessment report demonstrated without a shadow of a doubt the connection between human activity and emerging climate chaos. At the COP26 climate conference world leaders made ambitious pledges to accelerate the transition to a net zero global economy by 2050. It is becoming increasingly obvious that climate and other environmental risks and opportunities are having a material effect on investment returns.

Menhaden Resource Efficiency PLC's (the "Company's") objective is to generate long-term returns for shareholders by investing in businesses and opportunities that demonstrably deliver, or benefit significantly from, the efficient use of energy and other resources.

The companies held in the portfolio are leading their respective fields in embedding resource efficiency into their operations, not least through the implementation of circular economy initiatives which emphasise reuse and recycling.

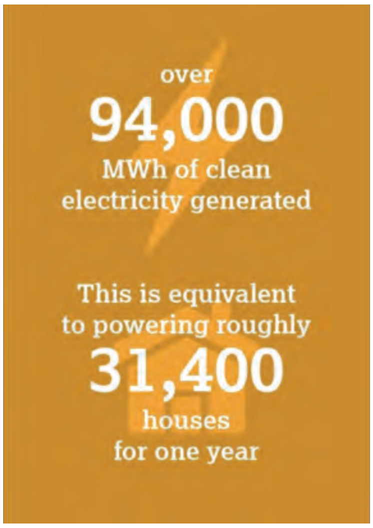
In this Impact Statement we report how the Company's holdings helped to reduce their environmental footprint, including their CO2e emissions, in 2021 through measures such as energy saving initiatives and use of resource efficient technologies. By way of illustration, renewable power giant **X-ELIO** delivered over 94,000 megawatt hours of clean electricity in 2021.

In 2021 we also received positive responses to our direct engagements with portfolio companies on these matters, encouraging several to step up their environmental reporting and targets. **Canadian Pacific** and **Safran** both improved their climate reporting scores on the CDP global disclosure system during the period, while others committed to science-based targets for emissions reductions.

Our investment performance has been good during the year. The Company's net asset value rose by 17.3% in 2021, signalling that there is financial opportunity in applying an environmental mindset to investment decision-making.

Ben Goldsmith
CEO, Menhaden Capital Management LLP

Impact Data[1]



[1] All impact data in this report refers to the Company's listed portfolio and the biggest private holding, **X-ELIO**, and is based on the proportion of each entity held at 31 December 2021. Analysis is calculated on best estimates using publicly disclosed data and full details of our methodology can be found in the Impact Report Appendix on our website.

Our approach and developments in 2021

Menhaden Capital Management LLP ("MCM") continued to apply its fundamental, research-oriented approach throughout 2021 aiming to find the innovation, products and services that show corporate best practice when it comes to energy and resource efficiency.

There was relatively little turnover in the portfolio during the year, but we made some changes to our investment themes, which included broadening technology to digitisation, opening up themes on 'environmental reporting' and 'industrial emissions reduction' and expanding our transport theme to encompass sustainable transport and infrastructure. The latter saw the Company complete a new co-investment with KKR in **John Laing Group**. The group is committed to responsible investment and decreased direct emissions by 48% and Scope 3 emissions by 89% in their last year reported. We also invested in **VINCI** who are transforming their business around achieving a 40% reduction in emissions by 2030 (compared to 2018).

Total tonnes of greenhouse gas ("GHG") emissions avoided by the Company's investments (*as a proportion based on the portfolio's ownership levels in each company*) almost doubled this year to over 58,000 tonnes. The amount of clean electricity generated by the portfolio almost tripled to over 94,000 MWh, with **X-ELIO** being the main generator.

We accept that high-emitting sectors like aviation and construction contribute greatly to climate change but rather than avoid the sector entirely we want to reward those players leading the way in efficient and environmentally-friendly practices. For example, **VINCI's** construction arm launched its Exegy low carbon concrete range in September 2020, which reduces C02 emissions by up to 70% compared with traditional concretes.

We take a similar future-focused approach to the transport sector, which is responsible for 24% of direct CO2 emissions. The transport industry has been slow to decarbonise, so we look to support companies such as **Safran** which launched a new project in partnership with GE Aviation in June 2021 called the CFM Rise (Revolutionary Innovation for Sustainable Engines), a low-carbon aircraft technology that targets a 20% reduction in fuel consumption and CO2 emissions in comparison to current jet engines. In 2021 we divested from Airbus, which despite offering a more energy efficient option than peers, was one of the most carbon-intensive stocks in the portfolio. We took an opportunity to sell following the significant recovery of its share price after the Covid-19 pandemic.

Railways represent the most energy efficient method of moving freight over land. Investee companies **Canadian Pacific** and **Canadian National** have both implemented robust climate actions plans to minimise emissions released from rail freight. **Canadian Pacific** has committed to reduce Scope 1, 2 and 3 GHG emissions intensity of its locomotives in excess of 38% by 2030. The company also installed solar capacity at its Calgary headquarters, and announced its Hydrogen Locomotive Programme to create north America's first line-haul hydrogen locomotive prototype.

Finally, perhaps one of our most impressive environmental performers in 2021 was **Waste Management**, a US waste and environmental services company. Services the company provides, such as turning gas from its landfills into energy, help it avoid three times the GHG emissions it generates from its operations, and it is aiming to increase this to four times by 2038.

Active ownership: Leveraging our voice on climate

As responsible stewards of shareholders' capital, we are committed to using our voice to foster best practice, both by engaging directly with companies in the portfolio and working in collaboration with other investors and initiatives.

In 2021 we began an organised programme of engagement to move the portfolio's holdings forward on environmental reporting and target setting. We believe that the setting of emissions reduction plans in line with what climate science says is required for a net zero economy and regular disclosure on performance against these targets is a vital first step to driving energy and resource efficiency.

Thus, it was encouraging to see **Safran** improve their CDP environmental reporting platform score from a 'C' to a 'B' last year, and for Canadian Pacific to improve from a 'B' to an 'A-' following our engagements on this issue. We are pleased to note that a third of the portfolio's equity holdings have established clearly-defined pathways to reduce their GHG emissions in line with the goals of the Paris Agreement, with targets that have been independently validated by the Science Based Targets initiative.

We will continue to engage with portfolio companies this year in our quest to raise standards of environmental disclosure and action.

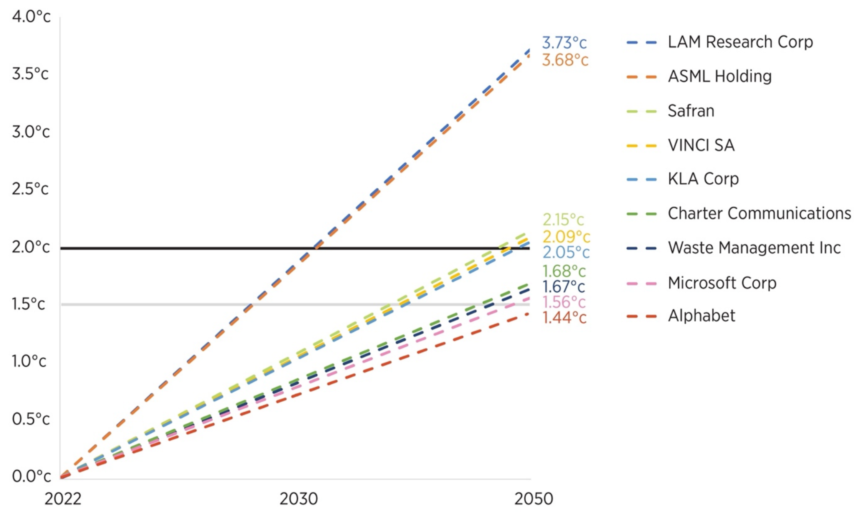
As long-term investors, we also believe that mitigating environmental risks involves an active approach to the preservation of biodiversity and are proud to be signatories

Environmental Impact Statement
continued

of the Financial Sector Commitment Letter on Eliminating Commodity Driven Deforestation. We are cognisant that the sectors represented in the portfolio, including transport, infrastructure and waste management, intersect closely with natural environments, and keenly interested to see the companies we invest in actively reporting on the impacts of their activities upon local flora and fauna, soil quality and natural environments. Therefore, a focus for 2022 is to encourage more investee companies to take action on protecting nature and biodiversity.

Portfolio Company Alignment with Paris Agreement Goals

The figure below shows our assessment of the commitments of the portfolio's listed equity holdings against the Paris Agreement. It indicates that most are working towards the target 2°C limit by 2050, but we have concerns about **LAM Research** and **ASML**. We will increase our engagement with these in 2022 with a view to encouraging improvements in their future climate impact.



- Data based on Implied Temperature Rise metric, provided by MSCI. Holdings where no MSCI data is available is not displayed here
- Trajectories are illustrative and not to scale

INVESTING IN BIG TECH SOLUTIONS FOR NATURE

There is growing awareness about the interlinked crises of climate change and biodiversity and this is creating opportunity for several firms, including portfolio constituents **Microsoft** and **Alphabet**, to explore how they can help restore and preserve the natural environment.

Microsoft recently committed to building a Planetary Computer to help protect the earth's ecosystems. The platform will provide scientists, sustainability practitioners and conservation stakeholders with global environmental data to help them identify the impacts climate change is having on biodiversity, and enable them to work with the data to support environmental monitoring, forecasting, planning, and attribution.

At **Alphabet**, a new initiative using Google Earth technology has been designed to promote ecosystem restoration across the world. Restor, a science-based open data platform developed by Google Creative Lab, launched in November 2021 and shows data on local biodiversity, current and potential soil carbon and other variables like annual rainfall, soil PH and land cover.

Last year, Google also announced it would make AI-powered improvements to its Maps application to direct drivers along more environmentally friendly routes, focusing on reducing emissions by avoiding traffic and limiting fuel consumption.

Alignment with SDGs

MCM and the Company's Board support the UN Sustainable Development Goals ("SDGs") and many of the portfolio's holdings contribute to the challenge of achieving them. We mapped our investment themes against the SDGs and concluded that our contributions focus on six of the goals:

2021 saw record levels of extreme weather events and the IPCC warned temperature increases will likely impact the global water cycle. The state of California, home to **Alphabet**, headquarters, recorded a severe drought and the company has committed to replenish 20% more water than it uses by 2030 to help return regions with high or extremely high-water scarcity to a normal level.

Our portfolio companies have a significant role to play in both supply and creating demand for renewable energy. **X-ELIO** is a global leader in the development of photovoltaics while **Microsoft** has set a goal to be carbon negative by 2030 and to remove from the environment all the carbon the company emitted since its founding by 2050. Encouragingly semi-conductor company **ASML** has already reached its goal to use 100% renewable electricity across all of its operations.

We invest in companies helping build the infrastructure needed to transition to a low-carbon future. Electric Vehicles (EVs) will help reduce transport emissions by 31% compared to petrol cars and to support their roll out **VINCI** Autoroutes is aiming for all its service areas to have electric charging stations by 2023. **Charter Communications** is also investing in innovative technologies to support the transition, including 10G connectivity for the Internet of Things and smart cities.

Building a more circular economy is an important opportunity for sustainable investors and in the US more than 75 billion pounds of food is wasted each year. **Waste Management** has invested in technology to recycle food waste from residential, commercial and industrial sources and turn it into energy or compost. Semiconductor supplier **ASML** also has a range of waste management initiatives such as the Return4Reuse programme. From 2019 to 2020, the company's total waste generated per €1 million reduced from 417 kg to 360 kg.

This is a key theme across our portfolio. In the transport sector, for example, **Safran** is focusing its research on breakthrough aircraft, to reach low carbon aviation by 2030-35 and move towards carbon neutrality around 2050. **Canadian National** has set a target in line with achieving net zero carbon emissions by 2050. By doing so, it is the first North American railroad to formally commit to join the Business Ambition for 1.5°C and the United Nations' Race to Zero campaign.

Since 2002, **Oceans Wilson** maritime services company, Wilson Sons, has been donating deactivated tugboats to the award-winning Pernambuco Artificial Reefs Project, which works to help the recovery of damaged marine ecosystems and serves as a living laboratory for studies on marine biology.

Business Review

The Strategic Report on pages 2 to 33 has been prepared to provide information to enable shareholders to assess how the Directors have performed their duty to promote the success of the Company.

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

Business Model

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

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of companies that are demonstrably delivering or benefiting significantly from the efficient use of energy or resources irrespective of their size, location or stage of development, through a single investment.

The Company is an Alternative Investment Fund ("AIF") under the UK's Alternative Investment Fund Managers Regulations ("UK AIFMD") and Frostrow Capital LLP is the appointed Alternative Investment Fund Manager.

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

The Board is responsible for all aspects of the Company's affairs, including setting the parameters for asset allocation, monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buy backs, share price and discount/premium monitoring, corporate governance matters, investor relations, dividends and gearing.

Further information on the Board's role and the topics it discusses with the AIFM and the Portfolio Manager is provided in the Corporate Governance Statement beginning on page 41.

Investment Strategy

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

Details of the Portfolio Manager's approach are set out in the Investment Process section on page 11 and in their review beginning on page 14.

While the Board's strategy is to allow flexibility in managing the investments, in order to manage investment risk it has imposed various investment, gearing and derivative guidelines and limits, within which Frostrow and the Portfolio Manager are required to manage the investments, as set out on pages 8 and 9.

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

Dividend Policy

The Company complies with the United Kingdom's investment trust rules regarding distributable income which require investment trusts to retain no more than 15% of their income from shares and securities each year. The Company's dividend policy is that the Company will only pay dividends sufficient for it to maintain investment trust status.

The Board

The Board is currently constituted of three male Directors (60%) and two female Directors (40%). The Company has no employees.

Biographical details of the Directors are set out on pages 34 and 35 and information on the workings of the Board and its Committees is set out in the Corporate Governance Statement on pages 41 to 46.

Emma Howard Boyd will step down from the Board and all other Directors will seek re-election by shareholders at the Annual General Meeting to be held on 22 June 2022.

Principal Service Providers

The principal service providers to the Company are Frostrow Capital LLP ("Frostrow" or the "AIFM"), Menhaden Capital Management LLP ("MCM" or the "Portfolio Manager") and J.P. Morgan Europe Limited (the

"Depositary"). Details of their key responsibilities and their contractual arrangements with the Company follow.

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

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

AIFM Fee
Under the terms of the AIFM Agreement, Frostrow receives a periodic fee equal to 0.225% per annum of the Company's net assets up to £100 million, 0.20% per annum of the net assets in excess of £100 million and up to £500 million, and 0.175% per annum of the net assets in excess of £500 million.

The AIFM Agreement is terminable on six months' notice given by either party.

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

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

Portfolio Management Fee
MCM receives a periodic fee equal to 1.25% per annum of the Company's net assets up to £100 million and 1.00% of the Company's net assets in excess of £100 million.

The Portfolio Management Agreement is terminable on six months' notice given by any of the three parties.

Performance Fee
MCM is also entitled to a performance fee which is dependent on the level of the long-term performance of the Company.

The performance fee is calculated for discrete three year performance periods. In respect of a given performance period, a performance fee may be payable equal to 10% of the amount, if any, by which the Company's adjusted NAV at the end of that performance period exceeds the higher of (a) a compounding hurdle (an annualised compound return)* on the gross proceeds of the IPO (adjusted for any subsequent share issues and repurchases) of 5% per annum; and (b) a high watermark (the highest net asset value that the Company has reached on which a performance fee has been paid)*. The performance fee is subject to a cap in each performance period of an amount equal to the aggregate of 1.5% of the weighted average NAV in each year (or part year, as applicable) of that performance period.

**see Glossary for further details*

Business Review

continued

Depositary

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

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

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

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £40,000 or 0.0175% of the net assets of the Company up to £150 million, 0.015% of the net assets in excess of £150 million and up to £300 million, 0.01% of the net assets in excess of £300 million and up to £500 million and 0.005% of the net assets in excess of £500 million. In addition, the Depositary is entitled to a variable custody fee which depends on the type and location of the custodial assets of the Company.

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

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

Evaluation of the AIFM and the Portfolio Manager

The performance of the AIFM and the Portfolio Manager is reviewed continuously by the Board and the Company's Management Engagement Committee (the "MEC"), with a formal evaluation process being undertaken each year. As part of this process, the Board monitors the services provided by the AIFM and the Portfolio Manager and receives regular reports from them. The MEC reviewed the appropriateness of the appointment of the AIFM and the Portfolio Manager in November 2021, following which it made a recommendation to the Board.

The Board believes the continuing appointment of the AIFM and the Portfolio Manager, under the terms described on page 23, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, *inter alia*, the following:

- the terms of the AIFM Agreement and the Portfolio Management Agreement, in particular the level and method of remuneration, the notice period and the comparable arrangements of a group of the Company's peers;
- the quality of the service provided and the quality and depth of experience of the company management, company secretarial, administrative and marketing teams that the AIFM allocates to the management of the Company; and
- the quality of service provided by the Portfolio Manager in the management of the portfolio; and the level of performance of the portfolio in absolute terms and by reference to RPI+3% and other relevant indices.

Position, Performance and Future Developments

The Statement of Financial Position on page 64 shows the Company's financial position at the year end. Performance in the year relative to the Company's key performance indicators is set out below and further outlined, together with investment activity and strategy, market background and the future outlook, in the Chairman's Statement beginning on page 5 and the Portfolio Manager's Review on pages 14 to 17.

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

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

Key Performance Indicators ("KPIs")

The Board of Directors reviews performance against the following KPIs. They comprise both specific financial and shareholder-related measures. The results for the year are summarised in the Chairman's Statement on page 5.

The KPIs for the Company are:

- Net asset value ("NAV") per share total return;
- Share price total return;
- Discount/premium of the share price to the NAV per share; and
- Ongoing charges ratio.

Please refer to the Glossary beginning on page 82 for definitions of these terms and an explanation of how they are calculated.

NAV per share total return

The Directors regard the Company's NAV per share total return as being the overall measure of value delivered to shareholders over the long term. This reflects both the net asset value growth of the Company and any dividends paid to shareholders. The Board monitors the Company's NAV total return against its benchmark and peers in the AIC Global Sector and the AIC Environmental Sector. The Company's NAV per share total return over the year to 31 December 2021 was 17.3% (2020: 13.2%). To reflect the Company's non-benchmarked total return investment strategy, the Board uses RPI+3% as its primary long-term financial performance comparator. RPI+3% over the year was 10.5% (2020: 4.2%).

A full description of the portfolio and performance during the year under review is contained in the Portfolio Manager's Review commencing on page 14 of this report.

Share price total return

The Directors regard the Company's share price total return to be a key indicator of performance and monitor this closely. This measure reflects the return to the investor on last traded market prices, assuming any dividends paid are reinvested. The Company's share price total return over the year to 31 December 2021 was 13.1% (2020: 3.0%).

Share price discount/premium to NAV per share

The share price discount/premium to the NAV per share is considered a key indicator of performance as it impacts the share price total return and can provide an indication of how investors view the Company's performance and its investment objective. At 31 December 2021 the discount stood at 28.1% (2020: 25.4%). The Chairman's Statement, on page 6, addresses the discount and the approach of the Board. The discount remained stubbornly wide throughout the year, notwithstanding the Company's positive performance.

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in comparison to the Company's peers. The ongoing charges ratio for the year to 31 December 2021 was 1.8% (2020: 2.0%).

Risk Management

In fulfilling its oversight and risk management responsibilities, the Board maintains a framework of key risks which affect the Company and the related internal controls designed to enable the Directors to manage/mitigate these risks as appropriate. The Directors have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

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

- Corporate Risks
- Investment Risks
- Operational Risks
- Financial Risks
- Legal and Regulatory Risks

Business Review

continued

The following sections detail the risks the Board considers to be the most significant to the Company under these headings. The risks are broadly unchanged from the prior year.

Principal Risks and Uncertainties	Management and Mitigation
Corporate Risks The share price return may differ materially from the NAV per share i.e. the shares may trade at a material discount to the NAV per share. A widening discount affects shareholder returns and satisfaction and, as such, could influence the outcome of the next continuation vote or, in extremis, precipitate the requisitioning of a general meeting to wind-up the Company.	At each meeting, the Board: • reviews the Company's investment objective in relation to the market, economic conditions and the operation of the Company's peers; • discusses the Company's future development and strategy; • reviews an analysis of the shareholder register and reports on investor sentiment from the Company's corporate stockbroker and AIFM; • reviews the level of the share price discount to the NAV per share and, in consultation with its advisers, considers ways in which share price performance may be enhanced; and • reviews the Company's promotional activities and distribution strategy, which have been delegated to Frostrow, to ensure the Company is promoted to current and potential investors.
Investment Risks The implementation of the investment strategy adopted by the Portfolio Manager may be unsuccessful and result in underperformance against the Company's principal performance comparators and peer companies.	The Board regularly reviews the Company's investment mandate and MCM's long-term investment strategy in relation to market and economic conditions, and the performance of the Company's peers. The Portfolio Manager provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio, including the resource-efficiency credentials of the portfolio holdings. MCM discuss current and potential investment holdings with the Board on a regular basis.
The portfolio may be affected by market risk, that is volatile market movements (in both equity and foreign exchange markets) in the sectors and regions in which it invests. The Company is also exposed to concentration risk, which is the potentially higher volatility arising from its relatively concentrated portfolio, and sector-specific risks such as global energy and commodity prices or withdrawal of government subsidies for renewable energy.	While market risk cannot be eliminated through diversification, it can be potentially reduced through hedging. The Board sets the Company's policy on hedging, which is detailed on page 8 and details of the foreign exchange forwards in place are set out in the Portfolio Manager's Review beginning on page 14. To manage concentration risk, the Board has appointed the AIFM and the Portfolio Manager to manage the portfolio within the remit of the investment objective and policy set out on pages 8 and 9. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Compliance with the investment restrictions is monitored daily by the AIFM and reported to the Board on a monthly basis. As part of its review of the going concern and longer-term viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 17 to the financial statements beginning on page 75), an analysis of how the portfolio would perform during a market crisis,

Principal Risks and Uncertainties	Management and Mitigation
The departure of a key member of the portfolio management team may affect the Company's performance.	and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements on pages 36 and 28 respectively. The Portfolio Manager reports to the Board on developments at MCM at each Board meeting. All investment decisions are made by an Investment Committee, reducing reliance on a single individual.
Operational Risks As an externally managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administrative services, financial and other functions. If such systems were to fail or be disrupted (including as a result of cyber crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.	The Board continuously monitors the performance of all the principal service providers with a formal evaluation process being undertaken each year. The Audit Committee reviews internal controls reports and key policies (including measures taken to mitigate cyber risks and disaster recovery procedures) put in place by its principal service providers. Both Frostrow and MCM provide a quarterly compliance report to the Audit Committee, which details their compliance with applicable laws and regulations. The Audit Committee maintains the Company's risk matrix which details the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of the controls operation. Further details are set out in the Audit Committee Report on page 48.
Financial Risks The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.	The Company's assets include liquid securities which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 17 to the financial statements beginning on page 75. The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. The Portfolio Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board reviews the Portfolio Manager's approved list of counterparties and the Company's use of those counterparties. Appropriate due diligence is undertaken to verify the existence and ownership of unquoted (non-custodial) assets.
Legal and Regulatory Risks The regulatory or political environment in which the Company operates could change to the extent that it affects the Company's viability.	The Board monitors regulatory developments but relies on the services of its external advisers to ensure compliance with applicable law and regulations. The Board has appointed a specialist investment trust company secretary who provides industry and regulatory updates at each Board meeting.

Impact of Covid-19

The Board continues to monitor developments with respect to Covid-19. Restrictions imposed because of the pandemic have challenged operations, but the Portfolio Manager successfully continued dialogue with investee companies and the Board has stayed in close contact with the Portfolio Manager and has continuously monitored portfolio and share price developments. All of the Company's service

Business Review

continued

providers have continued to provide as-normal services throughout, notwithstanding adopting remote working during the lockdowns.

Impact of Ukraine Situation

The Board is monitoring the events in Ukraine and related sanctions. To the best of the Board's current knowledge the situation should have no direct impact on the Company and while one portfolio company is affected by the Russian sanctions, Safran, its share price has recovered to December levels after initial volatility.

Longer Term Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years. The Board has chosen a five year horizon in view of the long-term nature and outlook adopted by the Portfolio Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on historic analysis 86.7% of the current portfolio could be liquidated within 30 trading days with 83.5% in seven days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only its non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee, as well as considering the potential impact of the Company's principal risks and various severe but plausible downside scenarios, has also made the following assumptions in assessing the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
- The Company invests principally in the securities of listed companies traded on major international stock exchanges to which investors will wish to continue to have exposure;
- The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

Covid-19 was also factored into the key assumptions made by assessing its impact on the Company's key risks and whether the key risks had increased in their potential to affect the normal, favourable and stressed market conditions. As part of this review the Board considered the impact of a significant and prolonged decline in the Company's performance and prospects. This included a range of plausible downside scenarios such as reviewing the effects of substantial falls in investment values and the impact of the Company's ongoing charges ratio, which were the subject of stress testing.

Board's Duty to Promote the Success of the Company (s172)

The Directors have a statutory duty to promote the success of the Company for the benefit of its members as a whole, whilst also having regard to certain broader matters. These include taking into consideration the likely consequences of any decision in the long-term; the need to foster the Company's business relationships with its Portfolio Manager and other service providers; the impact of the Company's operations on the community and the environment; the desire for the Company to maintain a reputation for high standards of business conduct; and the need to act fairly between members of the Company (s172 Companies Act 2006).

The Board seeks to comply with these and the following describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

Who? STAKEHOLDER GROUP	Why? THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS	Who? HOW THE BOARD, THE AIFM AND THE PORTFOLIO MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS
Investors	Clear communication of the Company's strategy and the performance against the Company's objective can help the share price trade at a narrower discount or a wider premium to its net asset value, which benefits shareholders.	Frostrow as AIFM, the Portfolio Manager and the Company's broker, on behalf of the Board, complete a programme of investor relations throughout the year (see also the following section on Company Promotion). An analysis of the Company's shareholder register is provided to the Directors at each Board meeting along with marketing reports from Frostrow. The Board reviews and considers the marketing plans on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Key mechanisms of engagement include: ● The Annual General Meeting; ● The Company's website which hosts reports, video interviews with the Portfolio Manager and monthly factsheets; ● One-on-one investor meetings; ● As reported in the half year report, there was a significant vote against the re-election of the Chairman at the last annual general meeting. Following engagement it was determined this was because his external appointments exceeded the internal corporate governance guidelines of a particular large shareholder. This shareholder did not engage before voting. The regular Board evaluation exercise already includes a review of Directors' other time commitments (see page 43), but this was given greater emphasis at the latest review because of this vote; ● The Board will explain in its announcement of the results of the AGM the actions it intends to take to consult Shareholders in order to understand the reasons behind any significant votes against;

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Who? STAKEHOLDER GROUP	Why? THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS	Who? HOW THE BOARD, THE AIFM AND THE PORTFOLIO MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS
		• Following engagement, an update will be published no later than six months after the AGM and the Annual Report will detail the impact the Shareholder feedback has had on any decisions the Board has taken and any actions or resolutions proposed.
Portfolio Manager	Engagement with the Company's Portfolio Manager is necessary to evaluate their performance against the Company's stated strategy and to understand any risks or opportunities this may present. The Board ensures that the Portfolio Manager's environmental, social and governance ("ESG") approach is in line with standards elsewhere and is in line with the Board's expectations. Engagement also helps ensure that Portfolio Management costs are closely monitored and remain competitive.	The Board meets regularly with the Company's Portfolio Manager throughout the year both formally at the quarterly Board meetings and informally as needed. The Board also receives monthly performance and compliance reporting. The Company produces an annual environmental impact statement setting out the environmental purpose of the Company and the impact its investments have, or intend to deliver. The report is included within this Annual Report on pages 18 to 21 and is published as a separate document on www.menhaden.com.
Service Providers	The Company contracts with third parties for other services including: depositary; investment accounting & administration; company secretarial; and share registration. The Board ensures that the third parties to whom the services have been outsourced complete their roles in line with their service level agreements, thereby supporting the Company in its success and ensuring compliance with its obligations.	It is the Board's belief that Frostrow and Menhaden Capital Management LLP are the most important service providers in relation to the success of the Company. The Board and Frostrow engage regularly with other service providers both in one-to-one meetings and via regular written reporting. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately. The Board together with Frostrow maintained regular contact with the Company's key service providers during the pandemic, as well as carrying out a review of the service providers' business continuity plans and additional cyber security provisions.

Who? STAKEHOLDER GROUP	Why? THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS	Who? HOW THE BOARD, THE AIFM AND THE PORTFOLIO MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS
Portfolio companies	Gaining a deeper understanding of the portfolio companies and their strategies as well as incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of an investment as well as identifying future potential opportunities.	The Board encourages the Company's Portfolio Manager to engage with companies and in doing so expects ESG issues to be a key consideration. The Board receives an update on MCM's engagement activities quarterly.

What? WHAT WERE THE KEY TOPICS OF ENGAGEMENT?	Outcomes and actions WHAT ACTIONS WERE TAKEN, INCLUDING PRINCIPAL DECISIONS?
Key topics of engagement with investors ● Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio.	● The Portfolio Manager, Frostrow and the broker meet regularly with shareholders and potential investors to discuss the Company's strategy, performance and portfolio. In December 2020, The Board held a dedicated strategy session which reviewed the future strategy of the Company including an enhanced communication strategy with the Portfolio Manager, Frostrow and the broker in attendance. Strategy discussions continued as a constituent of the scheduled Board meetings during the last year. To further aid the Board and investors in the monitoring of the NAV and the share price discount, the Board agreed that the Company's NAV per share be announced daily rather than monthly from the start of 2021.
Key topics of engagement with the external Portfolio Manager on an ongoing basis are portfolio composition, performance, outlook and business updates. ● The impact of Covid-19 upon their business and how components in the portfolio have been able to benefit during the pandemic, in particular through increased digitalisation.	● The Board received regular updates from the Portfolio Manager throughout the Covid-19 pandemic, including its impact on investment decision making. Working practices adopted by the Portfolio Manager to cope with restrictions imposed because of the pandemic were also reviewed. No further action was considered necessary in this regard.

Business Review
continued

What? WHAT WERE THE KEY TOPICS OF ENGAGEMENT?	Outcomes and actions WHAT ACTIONS WERE TAKEN, INCLUDING PRINCIPAL DECISIONS?
● The integration of ESG into the Portfolio Manager's investment processes and their engagement with investee companies on ESG.	● The Portfolio Manager reports regularly any ESG issues in the portfolio companies to the Board and the Board encourages the Portfolio Manager to engage with investee companies on climate change mitigation and reporting, which is expanded upon in the Impact Statement starting on page 18.
Other Service Providers ● The Directors have frequent engagement with the Company's other service providers through the annual cycle of reporting and due diligence meetings or site visits by Frostrow. This engagement is completed with the aim of maintaining an effective working relationship and oversight of the services provided.	● No specific action was required as the reviews of the Company's service providers have been positive and the Directors believe their continued appointment is in the best interests of the Company.

Company Promotion

The Company has appointed Frostrow to promote the Company's shares to professional investors in the UK and Ireland. As investment company specialists, the Frostrow team provides a continuous, proactive marketing, distribution and investor relations service that aims to grow the Company by encouraging demand for the shares.

Frostrow actively engages with professional investors, typically discretionary wealth managers, some institutions and a range of execution-only platforms. Regular engagement helps to attract new investors and retain existing shareholders, and over time results in a stable share register made up of diverse, long-term holders. Frostrow, in turn, provides the Board with up-to-date and accurate information on the latest shareholder and market developments.

Frostrow arranges and manages a continuous programme of one-to-one meetings with professional investors around the UK. These include regular meetings with 'gate keepers', the senior points of contact responsible for their respective organisations' research output and recommended lists. The programme of regular meetings also includes autonomous decision makers within large multi-office groups, as well as small independent organisations. Some of these meetings involve MCM, but most of the meetings do not, which means the Company is being actively promoted while MCM focuses on managing the portfolio. The Chairman is also available to engage with shareholders.

The Company also benefits from involvement in the regular professional investor seminars run by Frostrow in major centres, notably London and Edinburgh, which are focused on buyers of investment companies.

The creation and dissemination of information on the Company is also overseen by Frostrow. Frostrow produces all key corporate documents, monthly factsheets, annual reports and manages the Company's website www.menhaden.com. All Company information and invitations to investor events, including updates from MCM on the portfolio and market developments, are regularly emailed to a growing database, overseen by Frostrow, consisting of professional investors across the UK and Ireland.

Frostrow maintains close contact with all the relevant investment trust broker analysts, particularly those from Numis Securities Limited, the Company's corporate broker, but also others who publish and distribute research on the Company to their respective professional investor clients.

Social, Human Rights and Environmental Matters

The Company is an externally managed investment trust within the AIC Environmental Sector and invests in companies and markets that are demonstrably delivering or benefiting significantly from the efficient use of energy or resources. The Board is responsible for oversight of the Portfolio Manager and consequently for the risks and opportunities that derive from their management of the Company's portfolio, including any considered to be climate related. The Company's resource efficiency mandate is consistent with the drive towards net zero so the Company is well placed to benefit as investor focus evolves. The Company does not have any employees or premises, nor does it undertake any manufacturing or other operations. All its functions are outsourced to third party service providers and therefore the Company itself does not have any employee or direct human rights issues, nor does it have any direct, material environmental impact. The Company therefore has no environmental, human rights, social or community policies.

The Company recognises risks from climate change regulation, such as potential impacts on investee companies, portfolio construction, marketing and reputation. It also recognises the opportunity provided by the alignment of its investment objective and policy with the net zero agenda.

The Board believes that the integration of financially material environmental, social and governance ("ESG") factors into investment decision-making can reduce risk and enhance returns. The Portfolio Manager uses CDP ratings data as a basis for engagement with investee companies on ESG issues, including any considered to be climate related. More detail is included in the Company's Environmental Impact Statement set out on pages 18 to 21.

The ongoing engagement and dialogue with investee companies, including through proxy voting, are key parts of an asset stewardship role.

The Directors encourage the Portfolio Manager to ensure the Company's investments adhere to best practice in the management of ESG issues and encourage them to have due regard to the UN Global Compact and UN Principles of Responsible Investment. The Portfolio Manager was a signatory to the Financial Reporting Council 2012 UK Stewardship Code and is reviewing its position against the requirements of the 2020 Code.

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

Anti-Bribery and Corruption Policy

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

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

Prevention of the Facilitation of Tax Evasion

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

This Strategic Report on pages 2 to 33 has been approved by the Board.

Sir Ian Cheshire
Chairman
20 April 2022

Board of Directors

Sir Ian Cheshire (Chairman)

Sir Ian Cheshire is the chairman of Spire Healthcare Group plc, a non-executive director of BT Group plc and was appointed as the chairman of Channel 4 on 11 April 2022. In addition, he is chair of the Prince of Wales Charitable Fund and of the We Mean Business Coalition.

Sir Ian was the chairman of Barclays UK, the ring-fenced retail bank, until December 2020. He was the group chief executive of Kingfisher plc from January 2008 until February 2015 and prior to that he was chief executive of B&Q Plc from June 2005.

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

Duncan Budge

Duncan Budge is chairman of Dunedin Enterprise Investment Trust plc and Artemis Alpha Trust plc, and a non-executive director of Lowland Investment Company plc, Biopharma Credit plc and Asset Value Investors Ltd.

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

Emma Howard Boyd

Emma Howard Boyd has been the chair of the Environment Agency since 2016. The Agency is a public body responsible for the protection and enhancement of the environment in England.

She is also an ex-officio board member of the Department for Environment, Food & Rural Affairs and an advisor to the Board of Trade. Emma, with a background in finance, is a trustee, board member or advisor of a number of organisations, which include The Prince's Accounting for Sustainability Project, the Green Finance Institute, the Coalition for Climate Resilient Investment, the Centre for Greening Finance and Investment, the Council for Sustainable Business, the European Climate Foundation, and recently became a non-executive director of Liontrust Asset Management PLC. Emma was the UK commissioner to the Global Commission on Adaptation from 2018 until its sunset in January 2021.

Past roles include being the chair of trustees at Share Action, vice chair of Future Cities Capital, and non-executive director of the Aldersgate Group and Thrive Renewables.

Emma will step down from the Board at the conclusion of this year's Annual General Meeting on 22 June 2022.

The Directors' beneficial interests in the Company's shares are set out in the Directors' Remuneration Report on page 52.

Barbara Donoghue

Barbara Donoghue (also known as Barbara Donoghue Vavalidis) is a non-executive director of Byredo AB, a Stockholm based luxury fragrance company, having been its chair for the six years to 2020.

Until 2020 she was also a partner in London based Manzanita Capital, a private equity partnership specialising in the beauty and personal care industry. Other past appointments include chair of Susanne Kaufmann Ltd, an Austrian based beauty company, director and audit committee chair of Eniro AB, a Stockholm listed media company, member of the Competition Commission and Competition and Markets Authority and member of the board of the Independent Television Commission. She had a previous career in finance in Toronto, New York and London advising companies on raising debt and equity financing and on executing mergers and acquisitions, during which she worked at Bank of Nova Scotia, Bankers Trust and NatWest Markets.

Howard Pearce

Howard Pearce is the founder of HowESG Ltd, a specialist environmental, asset stewardship, and corporate governance consultancy business. He is also chairman of the Bank of Montreal Global Asset Management (EMEA) Responsible Investment Advisory Council.

Previously he has been a non executive director of Response Global Media Limited, chair of the Pension Board of Avon and Wiltshire Pension Funds, board member and chair of the Audit Committee of Cowes Harbour Commission, and a trustee and chair of the Investment and Audit Committees of the NHS ‘Above and Beyond’ charity. Between 2003 and 2013 Howard was the head of the Environment Agency pension fund and a member of its Pensions and Investment Committee. Under his leadership, the fund won over 30 awards in the UK, Europe and globally for its financially and environmentally responsible investment, best practice fund governance, public reporting and e-communications.

Meeting Attendance

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

Type and number of meetings held in 2021	Board (4)	Audit Committee (3)	Management Engagement Committee (1)
Sir Ian Cheshire	4	3[1]	1
Duncan Budge	4	3	1
Emma Howard Boyd	4	3	1
Howard Pearce	4	3	1
Barbara Donoghue[2]	–	–	–

[1] Sir Ian Cheshire is not a member of the Audit Committee but attended by invitation.

[2] Barbara Donoghue was appointed as a Director after the end of the financial year, on 1 February 2022.

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 December 2021. Disclosures relating to performance, future developments and risk management can be found within the Strategic Report on pages 2 to 33.

Business and Status of the Company

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

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

Continuation of the Company

In accordance with the Company's Articles of Association, a continuation vote was put to shareholders at the AGM held on 9 June 2020 and an overwhelming majority of 98% of the votes cast were in favour of the Company's continuation. The next opportunity for shareholders to vote on the continuation of the Company will be at the 2025 AGM and there will be opportunities every five years thereafter.

Results and Dividends

The results attributable to shareholders for the year are shown on page 2 and incorporated in this Directors' Report by reference.

In accordance with the dividend policy set out on page 22 the Board is recommending a final dividend, of 0.2p per ordinary share in respect of the year ended 31 December 2021, to be payable on 29 June 2022 to shareholders on the register on 6 June 2022, with the shares marked ex-dividend on 1 June 2022. An ordinary resolution to this effect is included in the AGM notice of meeting on page 86 of this annual report.

No dividends were declared in respect of the year ended 31 December 2020.

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report, including the results of these stress tests, the conclusions drawn in the Viability Statement in the Strategic Report on page 28 and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reaching these conclusions and those in the Longer-Term Viability Statement, the stress testing conducted also featured consideration of the effects of Covid-19.

Alternative Performance Measures

The Financial Statements (on pages 62 to 80) set out the required statutory reporting measures of the Company's financial performance. The Board additionally assesses the Company's performance against a range of criteria that are viewed as particularly relevant for investment trusts. These are summarised on page 2, explained in greater detail in the Strategic Report under the heading 'Key Performance Indicators' on page 25 and defined more fully, including the basis of calculation, in the Glossary on pages 82 and 83. These alternative performance measures are widely used in reporting within the investment company sector and the Directors believe they enhance the comparability of information and assist investors in understanding the Company's performance.

Capital Structure

The Company has a single share class, being ordinary shares of 1p nominal value each, and has not issued any other forms of security. At 31 December 2021 the Company had 80,000,001 ordinary shares in issue and there has been no change up to the date of this report.

Substantial Interests in Share Capital

The Company was aware of the following substantial interests of 3% or more in the voting rights of the Company as at 31 December 2021 and 31 March 2022.

Shareholder	31 March 2022 Number of Ordinary shares	31 March 2022 % of issued share capital	31 December 2021 Number of Ordinary shares	31 December 2021 % of issued share capital
Cavenham Private Equity	15,635,000	19.5	15,635,000	19.5
Generali Deutschland Versicherung	10,000,000	12.5	10,000,000	12.5
Ravenscroft	5,339,950	6.7	5,339,950	6.7
Charles Stanley	3,417,793	4.3	3,341,855	4.2
Armstrong Investments	2,600,000	3.2	2,600,000	3.2
Rath Dhu	2,400,000	3.0	2,400,000	3.0

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

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

There are no:

- restrictions on transfers of the Company's ordinary shares, or in respect of their voting and dividend rights;
- agreements, known to the Company, between holders regarding the transfer of ordinary shares; or
- special rights with regard to control of the Company attaching to the ordinary shares.

At the end of the year under review and to the date of this report, the Directors had shareholder authority to issue a further 800,000 ordinary shares and to repurchase no more than 14.99% of the Company's issued share capital. These authorities will expire at the forthcoming Annual General Meeting. Proposals to renew the Board's powers to issue and buy back shares are set out in the Notice of Annual General Meeting beginning on page 86.

Beneficial Owners of Shares – Information Rights

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

Nominee Share Code

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

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

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

Directors' Report

continued

Common Reporting Standard ("CRS")

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

Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year ended 31 December 2021. It is intended that this cover will continue for the year ending 31 December 2022 and subsequent years.

Directors' Indemnities

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

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

Other Statutory Information

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

- the rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006 and would be subject to a shareholder vote.
- subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The Directors' authorities to issue and buy back shares in force at the end of the year, are recorded on page 37.
- there are no agreements:

  (i) to which the Company is a party that might affect its control following a takeover bid; or

  (ii) between the Company and its Directors concerning compensation for loss of office.

Greenhouse Gas Emissions

As the Company has no executive employees or premises and has engaged external firms to undertake investment management, company management and custodial activities, the Company is exempt from the requirements to report on greenhouse gas emissions from its operations, and it has no responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The Company produces an annual environmental impact statement which is included within this Annual Report on pages 18 to 21 and also published separately on www.menhaden.com. The impact report provides further detail on the environmental goals and impact of the Company's portfolio holdings.

Political Donations

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

Disclosure of Information to the Auditor

The Directors are listed on pages 34 and 35. Each Director confirms that:

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

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

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 25 Southampton Buildings, London WC2A 1AL on 22 June 2022 at 12 noon.

The business of the meeting is summarised in some detail in the Explanatory Notes to the Resolutions on pages 91 to 92 of this Annual Report.

The AGM resolutions include the following items of special business:

Resolution 10 Authority to allot shares

Resolution 11 Authority to disapply pre-emption rights

Resolution 12 Authority to repurchase shares

Resolution 13 Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice.

The full text of the resolutions can be found in the Notice of AGM beginning on page 86.

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

By order of the Board

Frostrow Capital LLP
Company Secretary
20 April 2022

Statement of Directors' Responsibilities

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Report

The Directors, whose details can be found on pages 34 and 35, confirm to the best of their knowledge that:

- the financial statements within this Annual Report, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 December 2021; and
- the Chairman's Statement, Strategic Report and the Directors' Report include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure Guidance and Transparency Rules.

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

On behalf of the Board

Sir Ian Cheshire
Chairman
20 April 2022

Corporate Governance Statement

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the fact that as an externally managed investment company, it has no employees and outsources portfolio management services to Menhaden Capital Management LLP and risk management, company management, company secretarial, administrative and marketing services to Frostrow Capital LLP. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

The Board

Chairman – Sir Ian Cheshire

Four additional non-executive Directors, all considered independent.

Key roles and responsibilities:

– to provide leadership and set strategy within a framework of effective controls which enable risk to be assessed and managed;

– to ensure that a robust corporate governance framework is implemented; and

– to challenge constructively and scrutinise performance of all outsourced activities.

Management Engagement Committee

Chairman – Sir Ian Cheshire

All Directors

Key roles and responsibilities:

– to review the contracts, the performance and the remuneration of the Company's principal service providers; and

– to make recommendations to the Board regarding the continuing appointment of the AIFM and the Portfolio Manager.

Audit Committee

Chairman – Howard Pearce

Duncan Budge, Barbara Donoghue, Emma Howard Boyd

Key roles and responsibilities:

– to review the Company's financial reports;

– to oversee the risk and control environment; and

– to review the performance of the Company's external Auditor.

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

The Directors have decided that, given the size of the Board and the fact that all Directors are considered to be independent, it is unnecessary to form separate remuneration and nomination committees; the duties that would fall to those committees are carried out by the Board as a whole. However, the Chairman takes no part in discussions regarding his own remuneration and will not chair any discussions relating to the appointment of his successor.

Corporate Governance Statement
continued

The Board has considered the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company.

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

The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code with the exception that the Board has not appointed a senior independent director. The Board considers that this is not necessary given the small size of the Board and the Company's shareholder register.

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 22.

The Board

Board Culture

The Board aims to fully enlist differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders and for the Company to conduct itself responsibly, ethically and fairly in its relationships with service providers.

Responsibilities of the Chairman

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the company. The Chairman is responsible for:

- ensuring that the Board is effective in its task of setting and implementing the Company's direction and strategy;
- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making;
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making;
- taking a leading role in determining the Board's composition and structure;
- overseeing the induction of new directors and the development of the Board as a whole;
- leading the annual board evaluation process and assessing the contribution of individual Directors;
- supporting and also challenging the AIFM and the Portfolio Manager (and other suppliers where necessary);
- ensuring effective communications with shareholders and, where appropriate, stakeholders; and
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views.

Director Independence

The Board is comprised of five non-executive Directors, each of whom is independent of the AIFM and the Portfolio Manager. Each of the Directors, including the Chairman, was independent on appointment and continues to be independent when assessed against the circumstances set out in Provision 13 of the AIC Code (and Provision 12 of the AIC Code which relates specifically to the Chairman). Accordingly, the Board considers that all of the Directors are independent and there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Conflicts of Interest

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

Directors' Other Commitments

As part of the annual Board evaluation process, each of the Directors assessed the overall time commitment of their external appointments and it was concluded that they all have sufficient time to discharge their duties.

Board Meetings

The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, gearing, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions, performance comparisons, share price and net asset value performance. The Board's approach to addressing share price performance during the year is described in the Chairman's Statement on page 6.

The Board is responsible for setting the Company's corporate strategy and reviews the continued appropriateness of the Company's investment objective, investment strategy and investment restrictions at each meeting.

The number of meetings and the individual attendance by directors is set out on page 35.

Matters Reserved for Decision by the Board

The Board has adopted a schedule of matters reserved for its decision. This includes, *inter alia*, the following:

- requirements under the Companies Act 2006, including approval of the half yearly and annual financial statements, recommendation of the final dividend (if any), declaration of any interim dividends, the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks;
- matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policy and procedures;
- decisions relating to the strategic objectives and overall management of the Company, including the appointment or removal of the AIFM and other service providers, and review of the Investment Policy; and
- matters relating to the Board and Board committees, including the terms of reference and membership of the committees, the appointment of directors (including the Chairman) and the determination of Directors' remuneration.

Day-to-day operational and portfolio management is delegated to Frostrow and MCM respectively.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Frostrow or MCM act as spokesmen. The Board is kept informed of relevant promotional material that is issued by Frostrow.

Stewardship and the Exercise of Voting Powers

The Board has delegated authority to MCM (as Portfolio Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company. The Board has instructed that MCM submit votes for such shares wherever possible. MCM may refer to the Board on any matters of a contentious nature.

The Portfolio Manager's approach to stewardship, including their consideration of environmental, social and governance issues, is set out in their UK Stewardship Code (2012) Compliance Statement which can be found on the Company's website www.menhaden.com.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. No such advice was sought during the year.

Corporate Governance Statement
continued

Company Secretary
The Directors have access to the advice and services of an investment trust specialist Company Secretary through its appointed representative, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Board Tenure, Succession and Evaluation

Tenure
The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years. However, the Board has agreed that the tenure of the Chairman may be extended for a limited time provided such an extension is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Notwithstanding this expectation, the Board considers that a director's tenure does not necessarily reduce his or her ability to act independently and will continue to assess each Director's independence annually, through a formal performance evaluation.

Board Evaluation
During the course of 2021, the performance of the Board, its committees and the individual Directors (including each Director's independence and time commitments) was evaluated through a formal assessment process led by the Chairman. Mr Pearce led the assessment of the Chairman's performance.

The Chairman is satisfied that the Directors are all independent, the structure and operation of the Board continues to be effective and that there is a satisfactory mix of skills, experience and knowledge. Board succession was identified as an area to be addressed and progress on this is discussed in following sections.

All Directors submit themselves for annual re-election by shareholders. Further information on the contribution of each individual Director can be found in the explanatory notes to the notice of the AGM on page 91. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

Diversity Policy
The Board supports the principle of Boardroom diversity, of which gender is one important aspect. The Company's policy is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense.

The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective at promoting the long-term sustainable success of the company and generating value for all shareholders by ensuring there is a breadth of perspectives among the directors and the challenge needed to support good decision-making. To this end achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any Director search process.

The current gender balance of three men and two women meets the recommendation of Lord Davies' report on Women on Boards. The Board is aware that targets concerning ethnic diversity have been recommended for FTSE 250 companies. While the Company is not a constituent and the Board is small in size, the Board will continue to monitor developments in this area and will consider diversity during future director search processes.

Succession
The Board regularly considers its structure and recognises the need for progressive refreshment.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge.

All of the Directors who served during the financial year were appointed when the Company was established and consequently their tenures coincide. The Board is committed to ensuring that there is an orderly succession with appropriate overlap of new Directors and, with that in mind, scouted for prospective candidates during the year.

Appointments to the Board

The rules governing the appointment and replacement of directors are set out in the Company's articles of association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for the appointment of new directors and on the recommendation for shareholders' approval for the Directors seeking re-election at the Annual General Meeting. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

Following a scouting exercise during the course of the year the Board appointed Barbara Donoghue as a new non-executive Director with effect from 1 February 2022. The Board did not utilise the services of an external agency or advertise the position as it was considered that the Board's contacts were sufficient to identify candidates of high quality with relevant skills and experience. Ms Donoghue will offer herself for election by shareholders at the forthcoming AGM.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on page 40 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 47, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 25 to 27.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 28.

Remuneration

The Directors' Remuneration Report beginning on page 51 and the Directors' Remuneration Policy on page 53 set out the levels of remuneration for each Director and explain how Directors' remuneration is determined.

Service Providers

Relationship with the AIFM and the Portfolio Manager

Representatives from Frostrow and MCM are in attendance at each Board meeting to address questions on specific matters and seek approval for specific transactions that they are required to refer to the Board. There is a respectful and constructive partnership between the Board, the AIFM and the Portfolio Manager, and the three parties worked closely together throughout the year.

The Management Engagement Committee evaluates Frostrow and MCM's performance and reviews the terms of the AIFM and Portfolio Management Agreements at least annually. The outcome of this year's review is described on page 24.

Relationship with Other Service Providers

The Management Engagement Committee monitors and evaluates all of the Company's other service providers, including the Depositary, Registrar and Broker. At the most recent review in November 2021, the Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions.

Whistleblowing

The Board has gained assurance on whistleblowing procedures at the Company's principal service providers to ensure employees at those companies are supported in speaking up and raising concerns. No concerns relating to the Company were raised during the year.

Corporate Governance Statement

continued

Shareholders

Shareholder Relations

During the year, representatives of Frostrow, MCM and Numis Securities Limited (the Company's corporate stockbroker) regularly met with institutional shareholders and private client asset managers to understand their views on governance and the Company's performance. Reports on investor sentiment and the feedback from investor meetings were discussed with the Directors at the following Board meeting. The Chairman is available to meet with investors on request.

Shareholder Communications

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

The Board supports the principle that the Annual General Meeting ("AGM") be used to communicate with private investors. In particular, shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Portfolio Manager. In addition, the Portfolio Manager makes a presentation to shareholders covering the investment performance and strategy of the Company at the AGM. Whilst it is hoped that it will be possible to hold the forthcoming AGM in a normal in-person format, the Board may need to make changes to the arrangements if the Government imposes restrictions on such gatherings. Accordingly, shareholders are encouraged to register their votes on our registrar's website (www.signalshares.com) ahead of the meeting and to check the Company's website (www.menhaden.com) near the meeting date, where any changes to arrangements will be posted. Details of the votes in respect of each resolution will be announced to the market and published on the Company's website after the meeting.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Directors' Report on page 37.

By order of the Board

Frostrow Capital LLP
Company Secretary
20 April 2022

Audit Committee Report

Statement from the Audit Committee Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2021. The Committee met three times during the year under review.

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

Composition

The Audit Committee comprises Howard Pearce (Chairman of the Committee), Duncan Budge, Barbara Donoghue and Emma Howard Boyd whose biographies are set out on pages 34 and 35. The Committee as a whole has experience relevant to the investment trust industry with Committee members having a range of financial and investment experience. Mr Pearce has extensive experience in audit, having chaired the audit committees of numerous organisations as outlined on page 35. Mr Budge serves on the audit committees of the three other investment trusts of which he is a non-executive director.

Responsibilities

In summary, the Committee's principal functions are:

- to monitor the integrity of the Company's annual and half-year financial statements and any announcements relating to the Company's financial performance;
- to review the internal controls and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board regarding the appointment, re-appointment or removal of the external Auditor, and to be responsible for leading an audit tender process at least once every ten years;
- to have primary responsibility for the Company's relationship with the external Auditor, including reviewing the external Auditor's independence and objectivity as well as the effectiveness of the external audit process;
- to agree the scope of the external Auditor's work and to approve their remuneration; and
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services and to review and approve any non-audit work to be carried out by the external Auditor.

Meetings and Business

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

March 2021

- Review of the Company's annual results, including review of the Auditor's report to the Committee;
- Approval of the Annual Report, including the Environmental Impact Statement and the unquoted investment valuations;
- Review of risk management, internal controls and compliance; and
- Review of the need for an internal audit function.

September 2021

- Review of the Company's terms of reference, non-audit services policy and audit tender guidelines;
- Review of the outcome and effectiveness of the 2020 year end audit and any matters arising;
- Review of the Company's half year results;
- Approval of the Half Year Report and financial statements, and the unquoted investment valuations;
- Review of risk management, internal controls and compliance; and
- Review of the Company's anti bribery and corruption policy and the policy on the prevention of the facilitation of tax evasion, and the measures put in place by the Company's service providers.

November 2021

- Review of the Auditor's plan and terms of engagement for the 2021 year end audit;
- Review of new or revised reporting requirements and audit standards;
- Review of the valuation methodology for the unquoted investments; and
- Review of risks, internal controls and compliance.

Audit Committee Report
continued

Performance Evaluation

The Committee reviewed the results of the annual evaluation of its performance during the year. As part of the evaluation, the Committee reviewed the following:

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

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

Internal Controls and Risk Management

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

The Audit Committee, on behalf of the Board, reviews the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Committee and the Board have considered the Company's operations in light of the following factors:

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

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 25 to 27.

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

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

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

Significant Reporting Matters

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

Significant risk	How the risk was addressed
Valuation, existence and ownership of investments, in particular unquoted investments	The valuation of investments is undertaken in accordance with the accounting policies in note 1 to the financial statements beginning on page 66. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary. The Committee discussed with Frostrow and MCM the process by which the unquoted investments are valued, and ownership documented, including the reconciliation process with the Depositary. They also reviewed the valuation of the unquoted investments as at 31 December 2021, including the level of any discounts to net asset value applied to the unquoted valuations, to ensure that they were carried out in accordance with the accounting policy set out in note 1(b) on page 68. Having reviewed the valuations, the Committee confirmed that they were satisfied that the investments had been valued correctly.
Risk of revenue being misstated due to the improper recognition of revenue.	The Committee took steps to gain an understanding of the processes in place to record investment income and transactions.

Financial Statements

The Board has asked the Committee to confirm that in its opinion the Board can make the required statement that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee has given this confirmation on the basis of:

- the procedures followed in the production of the Annual Report, including the processes in place to assure the accuracy of factual content;
- the extensive levels of review that were undertaken in the production process, by Frostrow and also by the Committee; and
- the internal control environment operated by Frostrow Capital LLP (the AIFM), Menhaden Capital Management LLP (the Portfolio Manager), JP Morgan (the Depositary) and other service providers.

The Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. Further detail can be found on page 36. The financial statements can be found on pages 62 to 80.

The Committee also considered the longer-term viability of the Company in connection with the Board's statement in the Strategic Report on page 28. The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds. This included modelling further substantial market falls, and significantly reduced market liquidity, to that experienced recently in connection with the coronavirus pandemic. The scenarios assumed that there would be significant falls in asset prices, that the Company's existing capital commitments would be drawn down rapidly and in large instalments, that there would be no sales of or distributions from private investments, and that listed portfolio companies would cut their dividends.

The results illustrated the potential impact on the Company's NAV, expenses, cash flows and ability to meet its liabilities and capital commitments. In even the most stressed scenario, the Company was shown to have sufficient cash, or to be able to liquidate a sufficient portion of its listed holdings, in order to be able to meet its liabilities as they fall due. Based on the information available to the Directors at the time, the Committee therefore concluded it was reasonable for the Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Audit Committee Report
continued

External Auditor

In addition to the reviews undertaken at Committee meetings, I met with Mazars LLP (“Mazars”) on 9 March 2022 to discuss the progress of the audit and the draft Annual Report.

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

- the senior audit personnel in the audit plan, in order to ensure that there were sufficient, suitably experienced staff with knowledge of the investment trust sector working on the audit;
- the steps the Auditor takes to ensure its independence and objectivity;
- the statement by the Auditor that they remain independent within the meaning of the relevant regulations and their professional standards; and
- the need for any non-audit services to be performed by the Auditor (there were none during the year under review).

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

- the Auditor’s execution and fulfilment of the agreed audit plan, including their ability to communicate with management and to resolve any issues promptly and satisfactorily, and the audit partner’s leadership of the audit team;
- the quality of the report arising from the audit itself; and
- feedback from the Auditor and also Frostrow as the AIFM on the conduct of the audit and their working relationship.

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

Non-Audit Services

The Auditor did not carry out any non-audit work during the year. The Audit Committee will monitor the need for non-audit work to be performed by the Auditor, if any, in accordance with the Company’s non-audit services policy.

The Audit Committee will also seek assurances from the Auditor that they maintain suitable policies and procedures ensuring independence, and monitor compliance with the relevant regulatory requirements on an annual basis.

Auditor Reappointment

Stephen Eames was the audit partner for the financial year under review and he has confirmed Mazars’ willingness to continue to act as Auditor to the Company for the forthcoming financial year. Mazars’ appointment is subject to shareholder approval at the next Annual General Meeting to be held on 22 June 2022 and the resolution can be found in the Notice of AGM on page 86.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be conducted no later than 2029. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

Howard Pearce
Chairman of the Audit Committee
20 April 2022

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. An ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders on pages 54 to 61.

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

Directors' fees during the year were unchanged from the previous year: £50,000 per annum for the Chairman and £25,000 per annum for Directors, with Directors who serve on the Audit Committee receiving an additional £15,000 per annum. Directors' fees have remained unchanged since the Company's launch in 2015. The Board as a whole reviewed the fee levels at a meeting held on 16 November 2021 and it was decided that they would remain unchanged for the year ending 31 December 2022. The projected fees for 2022 are set out on page 53. No remuneration consultants were appointed during the year (2020: none).

Levels of remuneration reflect both the time commitment and responsibility of the role. The Directors are remunerated exclusively by fixed fees in cash and do not receive bonus payments or pension contributions from the Company, hold options to acquire shares in the Company, or other benefits. All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as directors of the Company.

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally managed investment trust (please refer to the Business Review beginning on page 22 for more information). Accordingly, statutory disclosure requirements relating to executive directors' and employees' pay do not apply.

Single total figure of remuneration (audited)

Director	Date of appointment to the Board	2021 Fees	2021 Taxable expenses	2021 Total	2020 Fees	2020 Taxable expenses	2020 Total	Percentage change in fees (%)
Sir Ian Cheshire	3 October 2014	50,000	–	50,000	50,000	–	50,000	0
Duncan Budge	3 October 2014	40,000	–	40,000	40,000	–	40,000	0
Emma Howard Boyd	3 October 2014	40,000	–	40,000	40,000	–	40,000	0
Howard Pearce	3 October 2014	40,000	2,464	42,464	40,000	580	40,580	0
Barbara Donoghue^	1 February 2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL		**170,000**	**2,464**	**172,464**	**170,000**	**580**	**170,580**	

^ Barbara Donoghue was appointed as a Director after the end of the financial year.

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

Directors' Remuneration Report
continued

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

	Ordinary shares of 1p each as at 31 Dec 2021	Ordinary shares of 1p each as at 31 Dec 2020
Sir Ian Cheshire	115,000	115,000
Duncan Bridge	10,000	10,000
Emma Howard Boyd	23,000	23,000
Howard Pearce	40,000	40,000
Barbara Donoghue^	n/a	n/a
Total	**188,000**	**188,000**

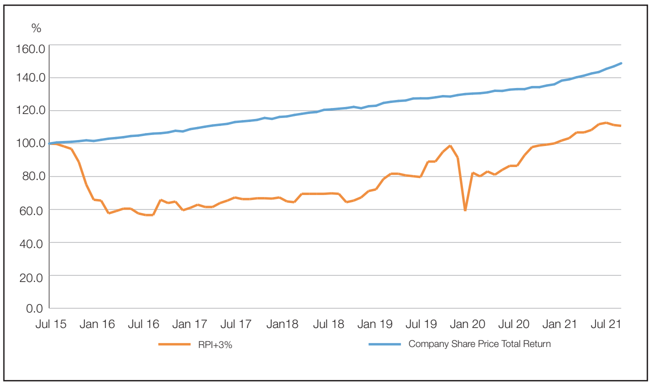
^ Barbara Donoghue was appointed as a Director with effect from 1 February 2022. She holds 216,693 shares in the Company, which she held on appointment.

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

The Company does not have share options or a share scheme, and does not operate a pension scheme. Directors are not required to own shares in the Company.

Performance

The graph below shows the total shareholder return of the Company since its launch on 31 July 2015 against the RPI plus 3% over the same period.



Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 July 2015

Relative Cost of Directors' Remuneration

The table below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 December 2020 and 2021.

	2021 £'000	2020 £'000	Change %
Total returns	18,399	12,453	48%
Directors' fees	194	189	3%
Dividends paid	–	–	–
Total ongoing expenses	2,139	1,913	12%

Statement of Voting at the AGM

At the Annual General Meeting held on 3 June 2021 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

Votes cast for	Votes cast against	Votes withheld
36,667,870	–	3,303*
100.0%	–	

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

By order of the Board

Sir Ian Cheshire
Chairman
20 April 2022

Directors' Remuneration Policy

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

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

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

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

This policy was last approved by shareholders at the Annual General Meeting held in 2019. Accordingly, an ordinary resolution for the approval of this policy will be put to shareholders at the Annual General Meeting to be held on 22 June 2022. It is intended that this policy will remain in place for the following financial year and subsequent financial periods.

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

The Directors' fees for 2021 and 2022 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Fees (£) 2022	Fees (£) 2021
Sir Ian Cheshire	50,000	50,000
Duncan Budge	40,000	40,000
Howard Pearce	40,000	40,000
Emma Howard Boyd[1]	19,111	40,000
Barbara Donoghue[2]	36,667	n/a
	185,778	**170,000**

[1] Emma Howard Boyd will step down from the Board on 22 June 2022.
[2] Barbara Donoghue was appointed as a Director with effect from 1 February 2022.

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

All Directors are non-executive, appointed under the terms of letters of appointment and none has a service contract. The Directors' letters of appointment may be inspected at the Company's registered office. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election every three years thereafter. However, the Directors submit themselves for annual re-election by shareholders, in line with the AIC Code of Corporate Governance. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Independent Auditor's Report to the Members of Menhaden Resource Efficiency PLC

Opinion

We have audited the financial statements of Menhaden Resource Efficiency PLC (the "Company") for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment including Covid-19 implications based on a 'most likely' (base case) scenario and a 'worst case scenario' as approved by the board of directors on 20 April 2022;
- Making enquiries of directors to understand the period of assessment considered by the Directors, the completeness of the adjustments taken into account and implication of those when assessing the 'most likely' scenario and the 'worst case scenario'. This included examining the minimum cash inflow and committed outgoings under the 'base case' cash flow forecasts and evaluated whether the directors' conclusion that liquidity headroom remained in all events was reasonable;
- Assessing and challenging the appropriateness of the directors' key assumptions in their cashflow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

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

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation, existence and ownership of the investment portfolio The Company has a significant portfolio of quoted and unquoted investments, these are measured in accordance with the requirements under FRS102 and the Statement of Recommended Practice issued by the Association of Investment Companies. Investments make up 101% of total net assets by value and are considered to be the key driver for the Company. The investments are made up of unquoted investments and quoted investments. There is a significant level of judgements made in ascertaining the fair value of these unquoted investments. There is a risk that judgements made when valuing the unquoted investments may lead to a misstatement in the value recorded in the Statement of Financial Position.	Unquoted investments • understanding management's process to value unquoted investments through discussions with management and examination of control reports on the third party service organisations; • obtaining and agreeing confirmation of investments held in order to obtain comfort over existence and ownership; • we engaged our valuation experts in considering whether the methodology and assumptions applied for valuing unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This included reviewing the investment valuation policies of the private equity funds, reviewing the fund's latest available audited financial statements, reviewing the fund's latest valuation statements, reviewing any recent transactions and discussion with the fund's management where applicable;

Independent Auditor's Report
continued

Key Audit Matter	How our scope addressed this matter
The quoted investments are included initially at fair value which is taken to be their cost and subsequently valued at fair value which are quoted bid prices for investments traded in active markets. Although the quoted investments are valued at quoted bid prices, there is a risk that errors in valuation can have a significant impact on the numbers presented. See pages 67 and 68 for further details on the accounting policy for investments and page 67 for key judgements made. There is also a risk that investments recorded might not exist or might not be owned by the Company. We therefore identified valuation, existence and ownership of investments as a key audit matter as it had the greatest effect on our overall audit strategy and allocation of resources.	• reviewing whether there are any going concern issues and uncertainties in relation to Covid-19 for the actual portfolio companies as well as their underlying investments; • agreeing valuation of unquoted investments to year end fair values as reported in valuation statements received directly from the investee funds; and • reviewing the adequacy of the disclosure in the financial statements including valuation methodology, assumptions and fair value hierarchy used. Ensuring that the methodology applied is in accordance with FRS102 and the Statement of Recommended Practice issued by the Association of Investment Companies. Quoted investments • understanding management's process to value quoted investments through discussions with management and examination of control reports on the third party administrator; • agreeing the valuation of quoted investments to an independent source of market prices; • analysing the trading history of securities to see whether they have been traded frequently and valued at which they have been traded to ensure there are no unusual price movements indicating the year end prices are stale; • obtaining and agreeing confirmation from the custodian of investments held in order to obtain comfort over existence and ownership; and • reviewing the adequacy of the disclosure in the financial statements and ensure that the methodology applied is in accordance with FRS102 and the Statement of Recommended Practice issued by the Association of Investment Companies. Our observations Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the investments as appropriate. We did not note any issues with regard to the existence or the ownership of the investments held as at 31 December 2021.

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

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,245,000
How we determined it	This has been calculated with reference to the Company's net assets, of which it represents approximately 1%.
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. Approximately 1% of net assets have been chosen to reflect the level of understanding of the stakeholders of the Company in relation to the inherent uncertainties around accounting estimates and judgements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality was £933,000 which is approximately 75% of overall materiality.
Reporting threshold	At planning stage, we agreed with the directors that we would report to them misstatements identified during our audit above £36,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. This threshold has increased to £37,000 following our revised materiality using net assets as at 31 December 2021.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report
continued

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

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

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

Matters on which we are required to report by exception

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

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

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

- adequate accounting records have not been kept 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; or
- a corporate governance statement has not been prepared by the Company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that 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.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 36;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 28;
- Directors' statement on fair, balanced and understandable set out on page 40;
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks set out on pages 25 to 27;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 48 and;
- The section describing the work of the audit committee set out on pages 47 to 50.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Independent Auditor's Report

continued

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: HMRC Investment Trust conditions.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to the applicable laws and regulations;
- Discussing with the directors and management the policies and procedures in place regarding compliance with laws and regulations;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the Company's regulatory and legal correspondence and review of minutes of directors' meetings in the year we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the HMRC Investment Trust conditions. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to unquoted investment valuation and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to investment valuations, and significant one-off or unusual transactions; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 25 November 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 December 2019 to 31 December 2021.

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

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF
20 April 2022

Income Statement

	Notes	For the year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2020 Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	8	–	21,124	21,124	–	13,803	13,803
Income from investments held at fair value through profit or loss	2	1,156	–	1,156	577	–	577
Management fees and performance fee provisions	3	(338)	(3,028)	(3,366)	(276)	(1,183)	(1,459)
Other expenses	4	(450)	–	(450)	(454)	–	(454)
Net return/(loss) before taxation		**368**	**18,096**	**18,464**	**(153)**	**12,620**	**12,467**
Taxation	5	(65)	–	(65)	(14)	–	(14)
Net return/(loss) after taxation		**303**	**18,096**	**18,399**	**(167)**	**12,620**	**12,453**
Return/(loss) per ordinary share – basic and diluted (pence)	6	**0.4**	**22.6**	**23.0**	**(0.2)**	**15.8**	**15.6**

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

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

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

The accompanying notes on pages 66 to 80 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Ordinary share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2020		800	77,371	27,900	61	106,132
Net return after taxation		–	–	18,096	303	18,399
At 31 December 2021		**800**	**77,371**	**45,996**	**364**	**124,531**

For the year ended 31 December 2020

	Notes	Ordinary share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2019		800	77,371	15,280	548	93,999
Net return/(loss) after taxation		–	–	12,620	(167)	12,453
Dividends paid – revenue	7	–	–	–	(320)	(320)
At 31 December 2020		**800**	**77,371**	**27,900**	**61**	**106,132**

The accompanying notes on pages 66 to 80 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Fixed assets			
Investments	8	125,615	103,035
Current assets			
Debtors	10	218	105
Derivative financial instruments	9	–	1,930
Cash		878	1,413
		1,096	3,448
Current liabilities			
Creditors	11	(404)	(351)
Derivative financial instruments	9	(99)	–
Net current assets		593	3,097
Non-current liabilities			
Performance fee provisions	12	(1,677)	–
Net assets		124,531	106,132
Capital and reserves			
Ordinary share capital	13	800	800
Special reserve		77,371	77,371
Capital reserve	18	45,996	27,900
Revenue reserve		364	61
Total shareholders' funds		124,531	106,132
Net asset value per share – basic and diluted (pence)	14	155.7	132.7

The financial statements on pages 62 to 80 were approved by the Board of Directors and authorised for issue on 20 April 2022 and were signed on its behalf by:

Sir Ian Cheshire
Chairman

The accompanying notes on pages 66 to 80 are an integral part of these financial statements.

Menhaden Resource Efficiency PLC – Company Registration Number 09242421 (Registered in England and Wales)

Statement of Cash Flows

	Notes	For the year ended 31 December 2021 £'000	For the year ended 31 December 2020 £'000
Net cash outflow from operating activities	15	(1,108)	(1,225)
Cash flows from investing activities			
Purchases of investments		(20,492)	(26,096)
Sales of investments		20,163	13,071
Settlement of derivatives		902	104
Net cash inflow/(outflow) from investing activities		573	(12,921)
Cash flows from financing activities			
Equity dividends paid		–	(320)
Net cash outflow from financing activities		–	(320)
Decrease in cash and cash equivalents		(535)	(14,466)
Cash and cash equivalents at start of the year		1,413	15,879
Cash and cash equivalents at the end of the year		878	1,413

The accompanying notes on pages 66 to 80 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1. ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP'), and the historical cost convention, as modified by the valuation of investments at fair value through profit or loss. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress and liquidity tests which modelled the effects of substantial falls in markets and significant reductions in market liquidity, on the Company's financial position and cash flows. Further information on the assumptions used in the stress scenarios is provided in the Audit Committee report on page 49. The results of the tests showed that the Company would have sufficient cash, or the ability to liquidate a sufficient proportion of its listed holdings, to meet its liabilities as they fall due. Based on the information available to the Directors at the time of this report, including the results of the stress tests, the Company's cash balances, and the liquidity of the Company's listed investments, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

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

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

- Level 1 – fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – fair values measured using valuation techniques for which any significant input to the valuation is not based on observable market data (unobservable inputs).

Details in respect of the fair value of the Company's financial assets and liabilities are disclosed in note 17 to the Financial Statements.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158 and 1159 of the Corporation Tax Act 2010. Refer to 1(e) for details on how expenses are allocated to revenue and capital.

1. ACCOUNTING POLICIES continued

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of the Company's unquoted (Level 3) investments. £15,776,000 or 12.6% (2020: £13,380,000 or 13.0%) of the Company's portfolio is comprised of unquoted investments. These are all valued in line with accounting policy 1(b) below. Under the accounting policy the reported net asset value or price of recent transactions methodologies have been adopted in valuing those investments, as set out on page 68.

As the Company has judged that it is appropriate to use reported NAVs in valuing unquoted investments as set out in note 17 (vi), the Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

In using a figure of 25% in the disclosures, set out on page 79, in relation to unquoted investments the Directors had regard to the nature of the investments, the wide range of possible outcomes, and public information on secondary market transactions in private equity funds.

Segmental Analysis

The Board is of the opinion that the Company is engaged in a single segment of business, namely investing in accordance with the Company's Investment Objective, and consequently no segmental analysis is provided.

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

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

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

Changes in the fair value of investments and gains and losses on disposal are recognised in the Income Statement as 'gains or losses on investments'. The fair value of the different types of investment held by the Company is determined as follows:

- Quoted Investments

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

Notes to the Financial Statements
continued

1. ACCOUNTING POLICIES continued

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

- Unquoted Investments

  Fair value is determined using recognised valuation methodologies in accordance with the International Private Equity and Venture Capital Association valuation guidelines (IPEVCA Guidelines**).

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

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

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

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

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

(c) Derivatives

Derivatives comprise foreign currency forwards used to hedge the Company's foreign currency exposure. The forwards comprise sterling receivable and a foreign currency deliverable. Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss. Gains or losses are recognised as capital income or expense in the Income Statement. The fair value of the forwards is the receivable 'leg' less the deliverable 'leg' translated at the exchange rate at the date of the Statement of Financial Position.

(d) Investment Income

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

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

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

1. ACCOUNTING POLICIES continued

(e) Expenses

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

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

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

(f) Taxation

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

(g) Foreign Currency

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

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

(h) Cash and Cash Equivalents

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

(i) Share Capital

Ordinary shares issued by the Company are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity.

(j) Capital Reserves

The following are transferred to this reserve: gains and losses on the realisation of investments; changes in the fair values of investments; and expenses, together with the related taxation effect, charged to capital in accordance with the Company's accounting policy on expenses in 1(e).

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve. The amounts within capital reserve less unrealised gains are available for distribution.

Notes to the Financial Statements

continued

1. ACCOUNTING POLICIES continued

(k) Special Reserve

The special reserve arose following court approval in 2016 to cancel the share premium account. This reserve is distributable and can be used to fund share repurchases.

(l) Revenue Reserve

The revenue reserve represents the surplus of accumulated revenue profits being the excess of income derived from holding investments less the costs associated with running the Company. This reserve may be distributed by way of dividends, when positive.

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

	2021 £'000	2020 £'000
Income from investments		
Unquoted distributions	550	90
Dividends from quoted investments	606	487
	1,156	577

3. AIFM AND PORTFOLIO MANAGEMENT FEES

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
AIFM fee	52	208	260	42	168	210
Portfolio management fee	286	1,143	1,429	234	936	1,170
Performance fee provisions	–	1,677	1,677	–	79	79
	338	3,028	3,366	276	1,183	1,459

4. OTHER EXPENSES

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Directors' remuneration	176	–	176	171	–	171
Employers NIC on directors' remuneration	18	–	18	18	–	18
Auditor's remuneration for the audit of the Company's financial statements	44	–	44	41	–	41
Registrar fee	17	–	17	17	–	17
Broker retainer	30	–	30	30	–	30
Legal and professional costs	10	–	10	8	–	8
Custody fees	47	–	47	46	–	46
Other costs	108	–	108	123	–	123
Total expenses	450	–	450	454	–	454

The Company has no employees and details of the amounts paid to Directors are included in the Directors' Remuneration Report beginning on page 51.

5. TAXATION ON NET RETURN

(a) Analysis of charge in period

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
UK corporation tax						
Overseas taxation	65	–	65	14	–	14

(b) Factors affecting current tax charge for the year

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

The tax charged for the period is lower than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The difference is explained below.

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Net return/(loss) before taxation	368	18,096	18,464	(153)	12,620	12,467
Corporation tax at 19.0% (2020: 19.0%)	70	3,438	3,508	(29)	2,398	2,369
Non-taxable gains on investments held at fair value through profit or loss	–	(4,013)	(4,013)	–	(2,623)	(2,623)
Overseas withholding taxation	65	–	65	14	–	14
Non-taxable overseas dividends	(220)	–	(220)	(110)	–	(110)
Excess management expenses*	150	575	725	139	225	364
Current tax charge for the year	65	–	65	14	–	14

*Excess management expenses are expenses that are not relieved in full against income generated by the Company.

(c) Provision for deferred tax

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

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase. The Company has not recognised a deferred tax asset of £2,950,000 (25% tax rate) (2020: £1,527,000, 19% tax rate) as a result of excess management expenses. It is not anticipated that these excess expenses will be utilised in the foreseeable future.

6. RETURN/(LOSS) PER SHARE

The capital, revenue and total return per ordinary share are based on the net return/(loss) shown in the Income Statement on page 62 and the weighted average number of ordinary shares in issue 80,000,001 (2020: 80,000,001).

There are no dilutive instruments issued by the Company.

Notes to the Financial Statements
continued

7. DIVIDENDS PAID

Under UK GAAP, final dividends are not recognised until they are approved by shareholders and interim dividends are not recognised until they are paid. They are also debited directly from reserves. Amounts recognised as distributable in these financial statements were as follows:

	2021 £'000	2020 £'000
2019 interim dividend of 0.4p per share	–	320

In respect of the year ended 31 December 2021, a final dividend of 0.2p per share or £160,000 in total has been recommended to shareholders and, if the resolution is passed at the AGM, will be reflected in the Annual Report for the year ending 31 December 2022. Details of the ex-dividend and payment dates are shown on page 7.

The Board's current policy is to only pay dividends out of revenue reserves, if the need arises in order to maintain investment trust status. The amount of revenue reserves available for distribution as at 31 December 2021 is £364,000 (2020: £61,000). The Company generated a revenue profit in the year ended 31 December 2021 of £303,000 (2020: £167,000 loss).

8. INVESTMENTS

	2021			2020		
	Quoted Investments £'000	Unquoted Investments £'000	Total £'000	Quoted Investments £'000	Unquoted Investments £'000	Total £'000
Opening balance						
Cost at 1 January	60,672	18,758	79,430	38,258	22,922	61,180
Investment holdings gains at 1 January	22,963	642	23,605	11,302	4,365	15,667
Valuation at 1 January	83,635	19,400	103,035	**49,560**	**27,287**	**76,847**
Movement in the year:						
Purchases at cost	15,503	4,989	20,492	25,537	559	26,096
Sales – proceeds received	(11,579)	(9,486)	(21,065)	(3,903)	(9,272)	(13,175)
Net movement in investment holdings gains/(losses)	22,280	873	23,153	12,441	826	13,267
Valuation at 31 December	**109,839**	**15,776**	**125,615**	**83,635**	**19,400**	**103,035**
Closing balance						
Cost at 31 December	68,965	17,901	86,866	60,672	18,758	79,430
Investment holding gains/(losses) at 31 December	40,874	(2,125)	38,749	22,963	642	23,605
Valuation at 31 December	**109,839**	**15,776**	**125,615**	**83,635**	**19,400**	**103,035**

The Company received £21,065,000 (2020: £13,175,000) from investments sold in the year. The book cost of these investments was £13,056,000 (2020: £7,846,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

8. INVESTMENTS continued

Gains on investments

	2021 £'000	2020 £'000
Net movement in investment holding gains in the year	23,153	13,267
Net movement in derivative holding (losses)/gains in the year	(2,029)	536
Gains on investments	**21,124**	**13,803**

Total unrealised gains, including transfers, during the year were £15,144,000 (2020: £7,937,000).

Purchase transaction costs were £28,000 (2020: £17,000). These comprise mainly commission and stamp duty.

Sales transaction costs were £5,000 (2020: £2,000). These comprise mainly commission.

9. DERIVATIVES

	2021 £'000	2020 £'000
Fair value of FX forwards	(99)	1,930

FX forwards are currently used to hedge the Company's exposure to the euro and US dollar. See note 17(ii) for further details. The Company received £902,000 (2020: received £104,000) on FX forwards closed during the year. The FX forwards are revalued over time and any gains/losses (both realised and unrealised) are included in gains/(losses) on investments in the capital column of the Income Statement.

10. DEBTORS

	2021 £'000	2020 £'000
VAT recoverable	2	8
Withholding tax recoverable	49	70
Prepayments and accrued income	167	27
	218	105

11. CREDITORS

	2021 £'000	2020 £'000
Performance fees	–	79
Other creditors and accruals	404	272
	404	351

The performance fee mechanism is explained on page 23.

Notes to the Financial Statements
continued

12. PERFORMANCE FEE PROVISIONS

Performance fee provisions are recognised when a present obligation arises from past events, it is probable that the obligation will materialise and it is possible for a reliable estimate to be made, but the timing of settlement or the exact amount is uncertain.

The Company has provided for the performance fee obligation to its Portfolio Manager that has arisen in the reporting period, being the first year of the three-year performance period that commenced on 1 January 2021. This amounted to £1,677,000 in performance fee provisions as at 31 December 2021 (2020: payable of £79,000 as disclosed in note 11 above). The amount provided is the Directors' best estimate of the obligation based on the NAV as at 31 December 2021 and has been charged to the capital column of the Income Statement. If crystalised, settlement of performance fee provisions will take place following approval of the annual results for the year ended 31 December 2023, during financial year 2024. Incremental changes to the provision will be recognised in each subsequent period until crystallisation.

Full details of the performance fee arrangement can be found in the Performance Fee section in the Strategic Report.

13. SHARE CAPITAL

	2021 £'000	2020 £'000
Issued and fully paid:		
80,000,001 ordinary shares of 1p per share	800	800

There is a single class of ordinary shares. The voting rights of the ordinary shares on a poll are one vote for each share held. There are no:

- restrictions on transfer of, or in respect of the voting or dividend rights of, the Company's ordinary shares;
- agreements, known to the Company, between holders of securities regarding the transfer of ordinary shares;

or

- special rights with regard to control of the Company attaching to the ordinary shares

14. NET ASSET VALUE PER SHARE

	2021	2020
Net asset value per share	155.7p	132.7p

The net asset value per share is based on the assets attributable to equity shareholders of £124,531,000 (2020: £106,132,000) and on the number of ordinary shares in issue at the year end of 80,000,001.

There are no dilutive instruments issued by the Company.

15. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2021 £'000	2020 £'000
Gains before finance costs and taxation	18,464	12,467
Gains made on investments	(21,124)	(13,803)
	(2,660)	(1,336)
Increase in other debtors	(134)	(5)
Increase in creditors, accruals and performance fee provisions	1,730	123
Net taxation suffered on investment income	(44)	(7)
Net cash outflow from operating activities	(1,108)	(1,225)

16. RELATED PARTIES

The following are considered to be related parties:

- Frostrow Capital LLP
- The Directors of the Company

Details of the relationship between the Company and the Company's AIFM are disclosed in the Strategic Report on page 23. Details of fees paid to Frostrow by the Company can be found in note 3 on page 70. All material related party transactions have been disclosed in note 3 on page 70. Details of the remuneration of the Directors can be found in note 4 and in the Directors' Remuneration Report starting on page 51. Details of the Directors' interests in the capital of the Company can be found on page 51.

The balance outstanding to Frostrow at the year end was £23,000 (2020: £20,000). No balances were due to the Directors (2020: nil).

17. FINANCIAL INSTRUMENTS

Risk management policies and procedures

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

As an investment trust, the Company invests in equities and other investments for the long term so as to achieve its Investment Objective as stated on page 8. In pursuing its Investment Objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets.

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

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

(ii) liquidity risk

(iii) credit risk

These risks, with the exception of liquidity risk, and the Directors' approach to the management of them, are set out in the Strategic Report on pages 25 to 27. The AIFM, in close co-operation with the Board and the Portfolio Manager, co-ordinates the Company's risk management.

Notes to the Financial Statements
continued

17. FINANCIAL INSTRUMENTS continued
(i) Other price risk
In pursuance of the Investment Objective, the Company's portfolio is exposed to the risk of fluctuations in market prices and foreign exchange rates.

The Board manages these risks through the use of investment limits and guidelines as set out on pages 8 and 9, and monitors the risks through monthly compliance reports from Frostrow, with reports from Frostrow and the Portfolio Manager also presented at each Board meeting. In addition, Frostrow monitors the exposure of the Company and compliance with the investment limits and guidelines on a daily basis.

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

If market prices at the date of the Statement of Financial Position had been 25% higher or lower while all other variables had remained constant: the revenue return would have decreased/increased by £66,000 (2020: £62,000); the capital return would have increased/decreased by £24,450,000 (2020: £18,571,000); and, the return on equity would have increased/decreased by £24,384,000 (2020: £18,509,000). The calculations are based on the portfolio as at the respective dates of the Statement of Financial Position and are not representative of the year as a whole.

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

Foreign currency risk is monitored in conjunction with other price risk as described above. The Portfolio Manager uses foreign currency forwards to hedge the foreign currency risk. Currently, approximately two thirds of the Company's euro and US dollar exposures are hedged.

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

	2021				2020			
	Investments £'000	Derivatives* £'000	Current assets £'000	Net £'000	Investments £'000	Derivatives £'000	Current assets £'000	Net £'000
U.S. dollar	102,158	(48,015)	1	54,144	77,148	(39,860)	2	37,290
Euro	15,806	(8,400)	49	7,455	16,584	(8,956)	70	7,698
Other	–	–	38	38	–	–	31	31
	117,964	(56,415)	88	61,637	93,732	(48,816)	103	(45,019)

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

17. FINANCIAL INSTRUMENTS continued

Foreign currency sensitivity

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

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

		2021			2020	
	USD £'000	EUR £'000	Other £'000	USD £'000	EUR £'000	Other £'000
Sterling depreciates	6,016	828	4	4,143	855	3
Sterling appreciates	(4,922)	(678)	(3)	(3,390)	(700)	(3)

(iii) Interest rate risk

Interest rate changes may affect:

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

– the fair value of investments in fixed interest securities.

Interest rate exposure

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

	2021		2020	
	Fixed rate £'000	Floating rate £'000	Fixed rate £'000	Floating rate £'000
Cash	–	878	–	1,413
	–	878	–	1,413

Interest rate sensitivity

If interest rates had been 1% higher or lower and all other variables were held constant, the Company's net return for the year ended 31 December 2021 and the net assets would increase/decrease by £9,000 (2020: £14,000).

(iv) Liquidity risk

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

The main liquidity requirements the Company may face are its commitments to the investments in limited partnership funds, as set out in note 19 on page 80. These commitments can be drawn down on 3 or 10 days notice. Having reviewed the nature of the investment and the track record of the underlying mandate for the most significant commitment, to TCI Real Estate Fund III Limited, the Board consider that it will be drawn down gradually over the life of the investment and as such poses a low risk to the liquidity of the Company. Frostrow and/or the Portfolio Manager are in regular contact with the managers of the limited partnership funds, as a part of which they would be made aware of, and plan accordingly for any drawdowns under those commitments.

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

Notes to the Financial Statements
continued

17. FINANCIAL INSTRUMENTS continued
(iv) Liquidity risk (continued)

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

(v) Credit risk

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

Credit risk exposure

	2021 £'000	2020 £'000
Derivative financial instruments	224	1,930
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	218	105
Cash	878	1,413

(vi) Hierarchy of investments

The Company's investments are valued within a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements as described in the accounting policies beginning on page 66.

At 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	109,839	–	15,776	125,615
Derivatives	–	(99)	–	(99)

At 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	89,655	–	13,380	103,035
Derivatives	–	1,930	–	1,930

Level 3 investments at 31 December 2021

	Cost '000	Value £'000	Ownership	Valuation basis
Helios Co-Invest LP[1]	US$6,084	10,174	4.73%	NAV
KKR Aqueduct Co-Invest LP[2]	£4,000	4,000	1.23%	Price of recent transactions
TCI Real Estate Partners Fund III Ltd	US$2,169	1,602	1.18%	NAV
WCP Growth Fund LP	£7,447	–	10.30%	Discount to adjusted NAV

[1] Described as X-ELIO in the portfolio statement
[2] Described as John Laing in the portfolio statement

17. FINANCIAL INSTRUMENTS continued

Level 3 investments at 31 December 2020

	Cost '000	Value £'000	Ownership	Valuation basis
Helios Co-Invest LP[1]	US$7,484	11,120	4.73%	NAV
WCP Growth Fund LP	£7,447	26	10.30%	Discount to adjusted NAV
TCI Real Estate Partners Fund III Ltd	US$2,713	2,235	1.18%	NAV

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

During the year, the Company realised a gain of £996,000 on Helios Co-Invest LP after receiving a distribution of £2,034,000, which followed the disposal of a portfolio of X-ELIO's operating assets in Spain (2020: the Company realised a gain of £1,267,000 after receiving a £5,017,000 distribution from Helios Co-Invest LP, following the sale of its 30% stake in X-ELIO). Helios Co-Invest LP remained the largest unquoted investment of the Company as at 31 December 2021.

In December 2021, the Company completed a new co-investment with KKR in John Laing with an initial investment of £4 million. It is expected that the development pipeline of infrastructure assets developed by John Laing will provide the Company with opportunities to commit additional capital over time.

The fair value WCP Growth Fund LP was written down by £26,000 during the year (2020: £416,000).

If a 25% discount to NAV was applied to the NAV of the level 3 investments as at 31 December 2021, or the discount already applied was increased by 25%, the impact would have been a decrease of £3,512,000 (2020: £3,217,000) in net assets and the net return for the year.

(vii) Capital management policies and procedures

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

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

The capital structure of the Company comprises the equity share capital (ordinary shares), retained earnings and other reserves as disclosed on the Statement of Financial Position on page 64.

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

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

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

– whether to issue new equity shares; and,

– the extent to which revenue in excess of that required for distributions should be retained.

Notes to the Financial Statements
continued

18. CAPITAL RESERVE

	2021 Capital Reserves			2020 Capital Reserves		
	Other £'000	Investment Holding Gains £'000	Total £'000	Other £'000	Investment Holding (Losses) /Gains £'000	Total £'000
At 1 January	2,366	25,534	27,900	(1,780)	17,060	15,280
Net gains on investments	8,009	13,115	21,124	5,329	8,474	13,803
Expenses charged to capital	(3,028)	–	(3,028)	(1,183)	–	(1,183)
At 31 December	7,347	38,649	45,996	2,366	25,534	27,900

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

19. FINANCIAL COMMITMENT

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

	Sterling Commitment	Local currency Commitment	Notice of drawdown
WCP Growth Fund LP	£52,000	–	10 business days
Helios Co-Invest LP	£46,000	US$62,000	3 business days
TCI Real Estate Partners Fund III Limited	£3,140,000	US$4,253,000	10 business days

20. THE COMPANY

The Company is a public limited company (PLC) incorporated in England and Wales. Its principal activity is that of an investment trust company within the meaning of sections 1158/1159 of the Corporation Tax Act 2010 and its registered office and principal place of business is 25 Southampton Buildings, London, WC2A 1AL. The Company's name changed from Menhaden PLC to Menhaden Resource Efficiency PLC with effect from 23 June 2021.

Shareholder Information

Financial Calendar

31 December	Financial Year End
March/April	Final Results Announced
June	Annual General Meeting, Dividend Payable (if any)
30 June	Half Year End
September	Half Year Results Announced

Annual General Meeting

The Annual General Meeting of Menhaden Resource Efficiency PLC will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on 22 June 2022 at 12 noon.

Share Prices

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

Change of Address

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

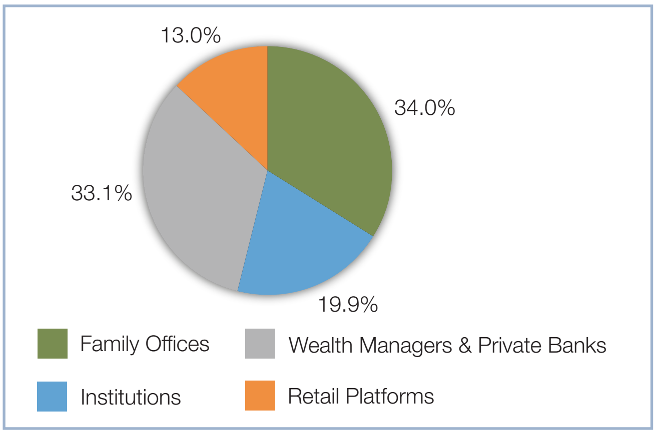
Net Asset Value

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

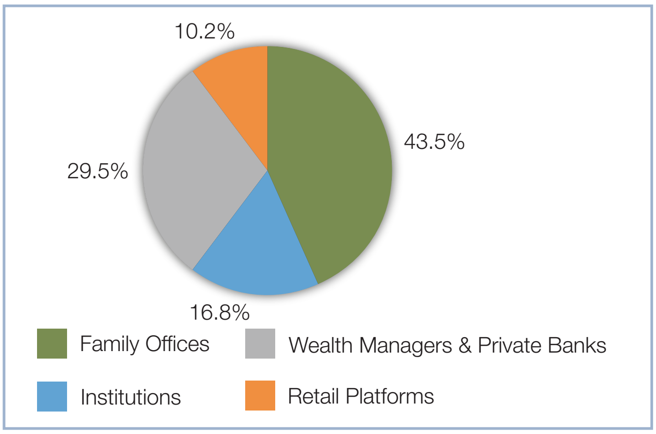
Profile of the Company's Ownership

% of ordinary shares held at:

31 December 2021



31 December 2020



Glossary

Alternative Investment Fund Managers Regulations ("UK AIFMD")

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

Compounding Hurdle

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

Discount or Premium

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

Gearing

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

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds. Potential gearing is the company's borrowings expressed as a percentage of shareholders' funds.

High Watermark

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

Leverage

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

Net Asset Value ("NAV")

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

NAV Total Return (APM)

The theoretical total return on shareholders' funds per share, reflecting the change in NAV assuming that any dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in the share price.

	31 December 2021	31 December 2020
Opening NAV	132.7p	117.5p
Increase in NAV	23.0p	15.2p
Closing NAV	155.7p	132.7p
% increase in NAV	17.3%	12.9%
Impact of dividend reinvested	–	0.3%
NAV total return	17.3%	13.2%

Share Price Total Return (APM)

The return to the investor, on a last traded price to a last traded price basis, assuming that all dividends paid were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

	31 December 2021	31 December 2020
Opening share price	99.0p	96.5p
Increase in share price	13.0p	2.5p
Closing share price	112.0p	99.0p
% increase in share price	13.1%	2.6%
Impact of dividend reinvested	–	0.4%
Share price total return	13.1%	3.0%

Ongoing Charges (APM)

Ongoing charges are calculated by taking the Company's annualised operating expenses and expressing them as a percentage of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, costs of buying back or issuing shares and other non-recurring costs. These items are excluded because if included, they could distort the understanding of the Company's performance for the year and the comparability between periods.

	31 December 2021 £'000	31 December 2020 £'000
Total Expenses	2,138	1,913
Average NAVs	117,721	93,724
Ongoing charge ratio	1.8%	2.0%

How to Invest

Retail Investors Advised by IFAs

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

Investment Platforms

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

AJ Bell Youinvest	http://www.youinvest.co.uk
Barclays Stockbrokers	https://www.barclays.co.uk/smart-investor
Bestinvest	http://www.bestinvest.co.uk
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk
EQi	https://www.eqi.co.uk
FundsDirect	http://www.fundsdirect.co.uk
Halifax Investing	http://www.halifax.co.uk/investing.html
Hargreaves Lansdown	http://www.hl.co.uk
HSBC	https://hsbc.co.uk/investments
iDealing	http://www.idealing.com
interactive investor	http://www.ii.co.uk
IWEB	http://www.iweb-sharedealing.co.uk
Saga Share Dealing	https://www.saga.co.uk/money/share-dealing
Saxo Markets	https://www.home.saxo
Wealth Club	https://www.wealthclub.co.uk

Link Group – Share Dealing Service

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

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

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

For further information on this service please contact: ww2.linkgroup.eu/share-deal (online dealing) or +44 (0) 371 664 0445 (telephone dealing).

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

Risk warnings

- *Past performance is no guarantee of future performance.*
- *The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares.*
- *As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.*
- *Although the Company's financial statements are denominated in sterling, it may invest in stocks and shares that are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result, the value of your investment may rise or fall with movements in exchange rates.*
- *Investors should note that tax rates and reliefs may change at any time in the future.*
- *The value of ISA and Junior ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs and Junior ISAs may not be maintained.*

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Menhaden Resource Efficiency PLC will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on Thursday, 22 June 2022 at 12 noon for the following purposes:

Ordinary Business

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

1. To receive and accept the Annual Report for the year ended 31 December 2021, including the financial statements and the directors' and auditor's reports thereon.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2021.
3. To approve the Company's Remuneration Policy.
4. To declare a final dividend of 0.2p per ordinary share for the year ended 31 December 2021.
5. To re-elect Sir Ian Cheshire as a Director of the Company.
6. To re-elect Duncan Budge as a Director of the Company.
7. To re-elect Howard Pearce as a Director of the Company.
8. To elect Barbara Donoghue as a Director of the Company.
9. To re-appoint Mazars LLP as the Company's Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid, and to authorise the Audit Committee to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 11,12 and 13 will be proposed as special resolutions:

Authority to Issue Shares

10. THAT, in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal amount of £80,000 (or if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

11. THAT, in substitution of all existing powers, the Directors be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of

section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 10 set out in the notice convening the Annual General Meeting at which this resolution is proposed or otherwise as if section 561(1) of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of section 560 of the Act, which includes the sale of relevant shares which, immediately before the sale, were held by the Company as treasury shares) for cash as if section 561(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities pursuant to:

(a) an offer of equity securities open for acceptance for a period fixed by the Directors where the equity securities respectively attributable to the interests of holders of shares of 1 penny each in the Company ("Shares") are proportionate (as nearly as may be) to the respective numbers of Shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Directors may consider necessary, appropriate, or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

(b) (otherwise than pursuant to sub-paragraph (a) above) an offer or offers of equity securities of up to an aggregate nominal value of £80,000 (or if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed) and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase ordinary shares

12. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1 penny each in the capital of the Company ("Shares") (either for cancellation or to be held, sold or otherwise dealt with as treasury shares in accordance with the Act) provided that:

(a) the maximum aggregate number of Shares authorised to be purchased is 11,992,000 or, if changed, the number representing approximately 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;

(b) the minimum price (exclusive of expenses) which may be paid for a Share is 1 penny;

(c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased and (ii) the higher of the price of the last independent trade in shares and the highest then current independent bid for shares on the London Stock Exchange;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Shares under this authority before the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority, and may make a purchase of Shares in pursuance of any such contract.

Notice of the Annual General Meeting
continued

General Meetings

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

Shareholders should note that, should Government restrictions make it impossible to hold a physical meeting the Board will only conduct the statutory formal business this year in order to meet the minimum legal requirements. In that case arrangements will be made for shareholders to attend via a webinar, view a presentation by the Portfolio Manager and ask questions in advance. Shareholders are encouraged to view the Company's website, www.menhaden.com for further information nearer the time. Questions to the Board and the Portfolio Manager can be submitted by email to the Company Secretary at info@frostrow.com. Should time pressures make it impossible to answer all questions during the webinar, then an effort will be made to answer them on the website afterwards.

All shareholders should look on the Company's website, www.menhaden.com for any late changes to the AGM arrangements and whether attendance will be restricted.

In any case, all shareholders are strongly advised to exercise their votes in advance of the meeting by proxy, by following the voting instructions overleaf. Subject to any Government restrictions on meeting attendance generally, registering proxy votes online will not restrict attendance of the AGM in person.

By order of the Board

Registered Office:
25 Southampton Buildings
London WC2A 1AL

Frostrow Capital LLP
Company Secretary
20 April 2022

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. However, if you appoint the Chairman of the AGM as your proxy, this will ensure that your votes are cast in accordance with your wishes in the event that restrictions on attendance are imposed by the Government at the time of the meeting. In such an eventuality, if any other person is appointed as your proxy, they may not be able to attend the meeting to vote on your behalf.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. Hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.signalshares.com and following instructions, requesting a hard copy form of proxy directly from the registrars, Link Group, by emailing enquiries@linkgroup.co.uk; or, in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 12 noon on 20 June 2022.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at close of business on 1 June 2021 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 19 April 2022 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 80,000,001 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 April 2022 are 80,000,001.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and Ireland Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting, excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Notice of the Annual General Meeting
continued

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
16. Members who have appointed a proxy using a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, subject to paragraph 4, the proxy appointment will remain valid.
19. It is possible that Government guidance could require the Company to impose restrictions on shareholders wishing to attend the AGM. Such restrictions may include limiting the number of shareholders permitted to attend the AGM in person.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report

The Annual Report for the year ended 31 December 2021, incorporating the financial statements and this Notice of Meeting, will be presented to the Annual General Meeting (AGM).

Resolution 2 – Directors' Remuneration Report

It is mandatory for listed companies to put their report on Directors' remuneration to an advisory shareholder vote every year. The Directors' Remuneration Report is set out on pages 51 and 52 of this Annual Report.

Resolution 3 – Directors' Remuneration Policy

It is mandatory for listed companies to put their Directors' remuneration policy to a binding shareholder vote at least every three years. The Directors' Remuneration Policy is set out on page 53 of this Annual Report.

Resolution 4 – Dividend

It is necessary for the Company to pay a dividend in respect of the year ended 31 December 2021 in order for it to retain investment trust status. Accordingly, the Board is recommending the declaration of a dividend of 0.2p per ordinary share, payment of which will afford compliance with the requirement for the Company to retain no more than 15% of the income from shares and securities in the year.

Resolutions 5 to 8 – Re-election and Election of Directors

Resolutions 5 to 8 deal with the re-election and election of the Directors. Biographies of each of the Directors can be found on pages 34 and 35 of this Annual Report.

The specific reasons why (in the Board's opinion) each Directors' contribution is, and continues to be, important to the Company's long-term sustainable success are as follows:

Sir Ian Cheshire

Sir Ian's leadership of the Board draws on 30 years' experience in the retail, charity, and banking sectors. His focus is on long-term strategic issues, including the sustainability and environmental impact of the portfolio.

Duncan Budge

Duncan has over 35 years' experience from his career in the city and the investment trust sector, and his first-hand knowledge enables the Board to engage authoritatively with the Portfolio Manager on their investment strategy.

Barbara Donoghue

Barbara has a wealth of experience gained over more than 30 years to contribute to Board and Committee decision making, including from past board room appointments, corporate finance and private equity.

Howard Pearce

Howard has over 30 years' experience advising at Board level on green investment and significant expertise of audit committee chairmanship which aids the Company's financial and environmental impact reporting.

Resolution 9 – Re-appointment of Auditor and the determination of their remuneration

Resolution 9 is for the re-appointment of Mazars LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

Resolutions 10 and 11 – Issue of Shares

Ordinary Resolution 10 in the Notice of Annual General Meeting is to renew the authority to allot new ordinary shares up to an aggregate of 10% of the Company's existing issued share capital at the date of the Annual General Meeting). This authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue

Explanatory Notes to the Resolutions

continued

to existing shareholders. Special Resolution 11 will, if passed, give the Directors power to allot (and/ or sell from treasury) for cash equity securities up to the equivalent of 10% of the Company's existing share capital, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 10. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 10 and 11 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 – Share Repurchases

The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is considered to be in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board.

Under the current 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. The minimum price which may be paid is 1 penny per share.

Special Resolution 12 in the Notice of Annual General Meeting seeks to renew the authority to purchase in the market a maximum of 14.99% of shares in issue (amounting to 11,952,000 shares at the date of this Annual Report). The authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 13 – General Meetings

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice, which is the minimum notice period permitted by the Companies Act 2006. This is a routine resolution necessitated by the EU Shareholder Rights Directive, which has been transcribed into UK law.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions, as the Directors intend to do in respect of their own beneficial holdings totalling 404,693 shares.

Company Information

Directors

Sir Ian Cheshire (Chairman)
Duncan Budge
Barbara Donoghue (with effect from 1 February 2022)
Emma Howard Boyd
Howard Pearce

Company Registration Number

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

Website

Website: www.menhaden.com

Registered Office

25 Southampton Buildings
London WC2A 1AL

Alternative Investment Fund Manager, Company Secretary and Administrator

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

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

Portfolio Manager

Menhaden Capital Management LLP
2nd Floor
Heathmans House
19 Heathmans Road
London
SW6 4TJ
Authorised and regulated by the Financial Conduct Authority

Depositary

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

Auditor

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Corporate Broker

Numis Securities Limited
45 Gresham St
London
EC2V 7BF

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
Telephone: + 44 371 664 0300
E-mail: enquiries@linkgroup.co.uk
Shareholder Portal: www.signalshares.com
Website: www.linkassetservices.com
Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

†Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

Share Price Listings

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

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

Identification Codes

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

Legal Entity Identifier

2138004NTCUZTHFWXS17

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

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

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

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

If you're suspicious, report it

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

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

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

FCA FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart Investor

aic
The Association of Investment Companies

A member of the Association of Investment Companies

Disability Act

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

Environment

This report is printed on Revive 100% White Silk a totally recycled paper produced using 100% recycled waste at a mill that has been awarded the ISO 14001 certificate for environmental management.

The pulp is bleached using a totally chlorine free (TCF) process.

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