Menhaden

Menhaden Capital PLC Annual Report for the year ended 31 December 2016

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Annual Report for the year ended 31 December 2016

Company Summary

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

Investment Objective

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

Management

The Company employs Frostrow Capital LLP as its Alternative Investment Fund Manager ("AIFM"), which is responsible for the portfolio management and risk management of the Company. The day-to-day portfolio management activities are carried out by Ben Goldsmith, Alexander Vavalidis and Luciano Suana, who have been seconded to the AIFM from Menhaden Capital Management LLP and who identify and present investment opportunities for consideration to the Investment Committee. The Investment Committee, which is chaired by Graham Thomas, who has also been seconded to the AIFM, makes all investment and divestment decisions in respect of the Company.

Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given on page 25 and in note 10 to the financial statements on page 59.

ISA Status

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

Retail Investors advised by IFAs

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

Menhaden

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

Frostrow
CAPITAL

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Company Performance

85.4p NAV per share[1] **2015: 83.9p**	**1.8%** NAV per share (total return)[2] **2015: (14.1)%**
66.4p Share price[1] **2015: 77.0p**	**(13.8)%** Share price (total return)[2] **2015: (23.0)%**
22.2% Share price discount to NAV per share[1] **2015: 8.2%**	**2.1%** Total ongoing charges[2] **2015: 2.1%**

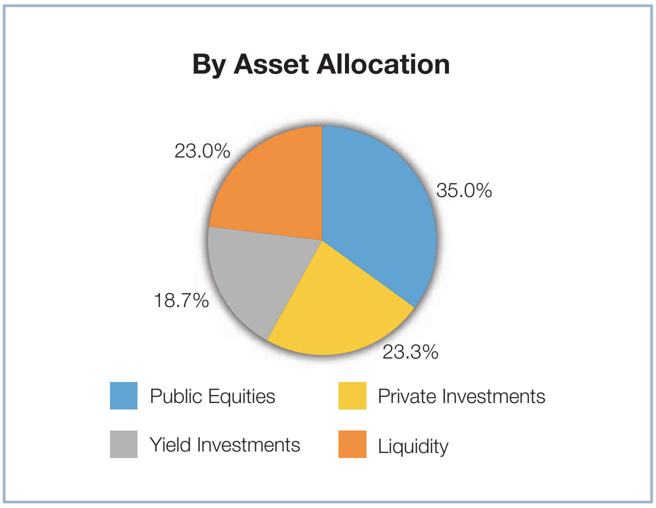
The MSCI World Total Return Index (in sterling) returned 28.2% (2015: +0.8%).

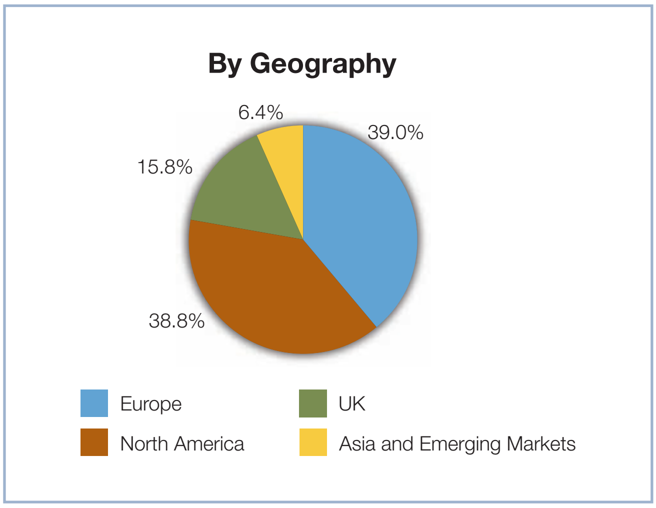
1 As at 31 December 2016.
2 For the year ended 31 December 2016.

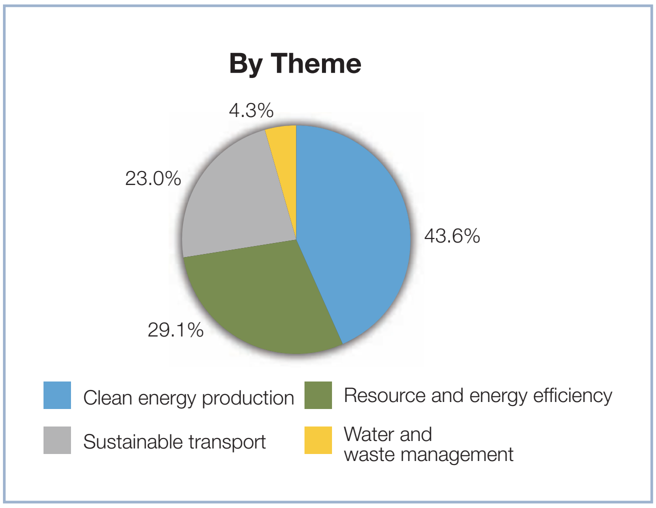
This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 68 and 69 gives definitions for frequently used terms.

Company Summary

Portfolio Distribution







Investment Themes

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

Chairman's Statement

Sir Ian Cheshire

I present our second annual report since the launch of the Company in July 2015. This report covers the year ended 31 December 2016, the Company's first full year of operation.

Performance

The Company's net asset value ("NAV") per share total return for the year was +1.8% (2015: -14.1%) and the share price total return was -13.8% (2015: -23.0%). As at 31 December 2016, the discount of the share price to the NAV per share stood at 22.2% (2015: 8.2%).

While the Company does not have a formal benchmark and our portfolio managers do not invest by reference to an index, during the year the MSCI World Total Return Index (in sterling) increased by 28.2% (2015: +0.8%). By way of additional comparison, the WilderHill New Energy Global Innovation Index (in sterling) rose by 11.5% and the AIC Environmental Sector* rose by 21%.

Our portfolio managers, the Menhaden Team, provide a full description of the development and performance of the portfolio over the first full year of your Company's operation in the Portfolio Review beginning on page 10.

The overall performance of the portfolio since launch has been disappointing in both absolute terms and by reference to stock market returns observed elsewhere, as indicated above. This is of particular concern to the Board and we are keeping the future development of the portfolio under close review. Despite setbacks since launch, the Directors are encouraged that the Menhaden Team have made progress in re-positioning the portfolio which it is expected to form the basis for future positive investment returns.

Management and Governance Developments

In October the Menhaden Team took over management of the Company's public equity portfolio from WHEB Asset Management LLP ("WHEB"). This was a strategic decision as the Menhaden Team increases its management capacity and moves away from its reliance on third party managers, as described in the portfolio review. The Board is grateful to WHEB for their services and notes their positive performance during the period of their engagement.

Post year end the Menhaden team has sold half the Company's interest in Alpina Partners Fund LP ("Alpina") at a 47% liquidity discount to the net asset value of that fund. This sale again reflects the decision to move away from third party managers. As a consequence, the full holding in Alpina has been revalued as at 31 December 2016 in line with the sale price, in accordance with accounting policies, set out on page 53. Further detail is set out in the Portfolio Review later in this report.

In February 2017, the Board announced that the Company would be cancelling its secondary listing on the Social Stock Exchange segment of the NEX Exchange to reduce costs as part of the Board's long-term goal of reducing ongoing charges. The Company will retain its primary listing on the premium segment of the London Stock Exchange's Official List.

Your Board wishes to reiterate the commitment made in the announcement to strengthening the Company's impact reporting. We will continue to report annually on the Company's social and environmental purpose and on the impact it has, or intends to, deliver. All the Company's reports can be accessed on the Company's website www.menhaden.com.

Share Price Discount

The Board remains conscious of the level of the share price discount to NAV per share. The Board has considered the effectiveness of share buybacks but has decided that it is not appropriate to reduce the size of the Company at this early stage of its development. Instead, and in addition to monitoring the Menhaden Team's performance, the Board and the AIFM will focus on the effectiveness of marketing and distribution, keeping the situation under close review.

Dividend

The Board has not recommended a final dividend for the year. The Board is cognisant of the undertaking in the Company's prospectus to target a dividend yield of 2% per annum of the average NAV, with a target implementation date of 31 December 2017. Given the performance of the portfolio since the launch of the Company, the attainment of this by the target implementation date now looks uncertain. The Board will

*excluding Ludgate Environmental Fund, which is in the process of being wound up.

continue to keep the dividend target under close review and will advise shareholders accordingly.

Outlook

A great deal of uncertainty still prevails following the EU referendum in the UK and, more recently, the US presidential election. These events are unlikely to affect the Company's business model but they may of course affect the performance of the underlying investee companies.

The Menhaden Team will continue to focus on selecting stocks whose strong prospects will be crucial in the long term. The Board will continue to keep the development of the portfolio and the Menhaden Team's investment strategy under close review.

Annual General Meeting

The Company's second Annual General Meeting ("AGM") will be held at the offices of Herbert Smith Freehills, Exchange House, Primrose Street, London EC4A 2EG on Wednesday, 17 May 2017 at 12 noon. Further details can be found on pages 72 to 75.

The AGM provides shareholders with an opportunity to meet the Directors and to receive a presentation from our portfolio managers and we hope as many shareholders as possible will attend. I look forward to meeting you at that time, together with my Board colleagues. Any shareholders who are unable to attend or who wish to discuss any matters with the Board are invited to contact me through the Company Secretary whose details are set out on page 76.

Sir Ian Cheshire
Chairman

5 April 2017

Investment Objective and Policy

Investment Objective

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

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

Investment Strategy

The implementation of the Company's investment objective has been delegated to Frostrow Capital LLP ("Frostrow" or the "AIFM") by the Board. Ben Goldsmith, Alexander Vavalidis, Luciano Suana and Graham Thomas (together, the "Menhaden Team"), who have been seconded to Frostrow, carry out the portfolio management activities under Frostrow's supervision.

Details of the Menhaden Team's approach are set out in the Investment Process section on page 14 and in their review beginning on page 10.

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

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

Investment Policy

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

Asset Allocation

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

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

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

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

It is expected that the portfolio will comprise approximately 20 to 25 positions. Typically, the portfolio will not comprise fewer than 20 positions or more than 50 positions. For these purposes an investment in an external fund is treated as one position.

Geographic Focus

The portfolio is predominantly focused on investments in developed markets, though 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 at all times to any applicable investment restrictions contained in the Listing Rules from time to time, the Menhaden Team 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 Menhaden Team may from time to time consider appropriate for the purposes of efficient portfolio management, and the Company may for these purposes leverage through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments.

The Menhaden Team does not expect to engage in currency hedging on a regular basis. However, given that a proportion of the Company's assets are denominated in currencies other than sterling, the Company is subject to foreign exchange risks which could adversely affect the net asset value. Accordingly, the Menhaden Team may, within such parameters as are approved by the AIFM and in accordance with the Company's investment policy, seek to hedge the Company's exposure to non-sterling assets.

No hedging was undertaken in the year.

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 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 Menhaden Team 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).

In addition, under the AIFMD rules, the Company is required to set maximum leverage limits. Leverage is defined under the AIFMD as any method by which the total exposure of an AIF is increased.

The Board and Frostrow have set the maximum leverage limits of 200% on a gross basis and 120% on a commitment basis. Further explanation is provided in the Glossary on page 68.

At the date of this report, the Company was not geared.

Other Investment Restrictions

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

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

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

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

Portfolio

Investments held as at 31 December 2016

Investment	Country/region	Fair Value £'000	% of Total Net Assets
X-ELIO[1]	Spain*	10,167	14.9
Terraform Power	United States	5,414	7.9
Airbus	France	3,762	5.5
Volkswagen	Germany	3,372	4.9
WCP Growth Fund LP[2]	UK*	2,968	4.4
Safran	France	2,898	4.3
Alpina Partners Fund LP	UK*	2,806	4.1
Atlantica Yield	United States	2,415	3.6
Terraform Global	Emerging Markets	2,404	3.5
Air Products & Chemicals	United States	2,280	3.3
Top Ten investments		**38,486**	**56.4**
Stericycle	United States	2,273	3.3
Brookfield Renewable Energy	Canada	2,032	3.0
Firstgroup	UK	1,707	2.5
Wabtec	United States	1,359	2.0
Roper Technologies	United States	1,266	1.9
Acuity Brands	United States	1,088	1.6
Rockwell Automation	United States	1,021	1.5
Borgwarner	United States	983	1.4
Shimano	Japan	914	1.3
Johnson Matthey	UK	810	1.2
Top Twenty investments		**51,939**	**76.1**
Atlantica Yield – Bonds	United States	165	0.3
Abengoa Senior Notes 8.875% 2017	Spain	164	0.2
Abengoa Senior Notes 8.5% 2016	Spain	150	0.2
Versum Materials	United States	129	0.2
Total investments		**52,547**	**77.0**
Net Current Assets		15,736	23.0
Total Net Assets		**68,283**	**100.0**

[1] Investment made through Helios Co-Invest L.P. X-Elio was formerly known as Gestamp Solar.

[2] Formerly WHEB Ventures Private Equity Fund 2 LP

* Unquoted

Business Description	Theme
Develops and operates solar energy projects	Clean energy production
Operates contracted renewable energy assets	Clean energy production
Designs and manufactures aircraft	Sustainable Transport
Designs and manufactures passenger cars and light commercial vehicles	Sustainable Transport
Growth capital fund managed by specialist environmental PE firm, Alpina Partners	Resource and energy efficiency
Supplies systems and equipment for aerospace, defence and security	Sustainable Transport
Growth capital fund managed by specialist environmental PE firm, Alpina Partners	Resource and energy efficiency
Owns and manages contracted renewable energy assets	Resource and energy efficiency
Operates contracted renewable energy assets in emerging markets	Resource and energy efficiency
Sells gases and chemicals for industrial uses	Resource and energy efficiency
Provides medical and pharmaceutical waste management	Water and waste management
Open-ended fund investing in hydroelectric and wind facilities	Clean energy production
Operates transport services in the UK, Ireland, Canada and the United States	Sustainable Transport
Manufactures braking equipment and other transportation parts	Sustainable Transport
Manufactures and distributes industrial equipment	Resource and energy efficiency
Provides LED lighting, lighting controls and related products and services	Resource and energy efficiency
Provides integrated systems for process manufacturing	Resource and energy efficiency
Supplies motor vehicle parts and systems	Sustainable Transport
Manufactures and distributes cycling and fishing equipment and accessories	Sustainable Transport
Manufactures catalysts, pharmaceutical materials and pollution control systems	Resource and energy efficiency
Owns and manages contracted renewable energy assets	Clean energy production
Operates and develops renewable energy assets	Clean energy production
Operates and develops renewable energy assets	Clean energy production
Develops and supplies speciality electronic materials	Resource and energy efficiency

Portfolio Review

Menhaden Team

Performance

For the year under review, Menhaden's NAV per share increased by 1.8% to 85.4p. Total net assets increased by £1.2 million to £68.3 million during the year.

The contribution to the increase over the year is summarised below:

Asset Category	2016 NAV %	Contribution %
Public Equities	35.0	3.8
Private Investments	23.3	–2.0
Yield Investments	18.7	2.1
Renewable Yield	*18.2*	*3.0*
Absolute Return & Credit	*0.5*	*–0.9*
Liquidity	23.0	–
Gross Return		**3.9**
Expenses	–	–2.1
Net Assets	**100**	**1.8**

We feel it is also worth noting that after a disappointing first seven months following the Company's August 2015 IPO, the NAV per share increased by 12.1% from the low-point in May 2016 to the year-end, helped by the weakness in sterling.

It is important to note that we employ a bottom-up, value-oriented approach to look for investments and our commentary is written to reflect this. We also highlight, within this annual report on page 9 and our impact report, the theme within resource efficiency to which each investment relates.

Strategy

During the year, we took steps to refine the way we manage the portfolio. We are focusing on identifying investments – publicly traded and private – with low downside risk, backed by identifiable assets and cash flows, at attractive valuations. In addition, we have sought to reduce our reliance on third party managers, where we are able to access and execute investment opportunities in-house. We will continue to use third party managers to access investment opportunities that we are not able to access cost-effectively and execute ourselves, but we will be rigorous in our selection of those managers based on track record. Lastly, we strengthened the team by adding Luciano Suana, whose biography is set out on page 13 and who has made a significant contribution to our structure, processes and performance.

Public Equities

Portfolio Update

During 2016, we made important changes across all aspects of the public equity portfolio, including asset allocation as well as stock and management selection.

We started 2016 with an over allocation to public equities (57% of the portfolio) and by year end reduced the allocation to 35%, through a mixture of exiting and resizing positions. As well as using the proceeds generated to initiate some new public equity positions, we deployed capital to other areas of the portfolio and increased the amount of cash held on the balance sheet for new investments.

In October, we decided to move the management of our public equities portfolio fully in-house. As such we terminated the segregated mandate with WHEB Asset Management who managed part of our public portfolio. We took this step in an effort to build a portfolio with a greater orientation to value. We are grateful to the WHEB team for their contribution over the last year, and retain a high regard for their professionalism and knowledge of sustainable investment.

New Investments

During the year we initiated five new public equity positions. The most notable of these are our four largest: **Airbus, Safran, Volkswagen** and **Air Products & Chemicals**. We outlined our theses behind Airbus, Safran and Volkswagen in the Company's half year report. Since initiation these positions have performed well, contributing 2.8% to the Company's NAV return. In particular, the share prices of Airbus and Volkswagen ended the year on a high note.

Volkswagen, one of the world's largest vehicle manufacturers, has the potential to reduce costs and improve margins and profitability. We believe that the company's management team is now incentivised to step up to this challenge. More significantly for us, the new management team has announced ambitious plans to become the world's leading electric vehicles manufacturer. We therefore believe that Volkswagen represents an enticing recovery play and an attractively valued opportunity to gain exposure to the coming electric transportation growth wave. Volkswagen reported strong third quarter operating profits considering the ongoing turnaround and volumes hit by the diesel scandal. We remain optimistic over Volkswagen's prospects and ability to develop into the leading global manufacturer of electric and energy efficient vehicles.

Airbus, on the other hand, reported a relatively weak third quarter but still maintained profit and cash flow guidance for the full year. We believe Airbus represents an opportunity to invest in a global duopoly with very high barriers to entry in a growing industry – passenger volumes increase at 5% per year. Importantly, the Airbus A320neo delivers a 15% fuel burn saving compared to current single aisle aircraft operations, with targets to achieve a 20% reduction in fuel burn and CO2 emissions by 2020. With improving governance, the depreciation of the euro and a 10 year backlog, we think Airbus' prospects remain strong.

In the second half of 2016 we initiated two positions, **Air Products & Chemicals** and **FirstGroup**. Air Products is a high quality, simple, free cash flow generative business that produces attractive returns due to local incumbency advantages. The gases sold by Air Products are used largely to make manufacturing processes more efficient, and in reducing harmful emissions from industrial processes and downstream products. Air Products' fiscal year fourth quarter marked the ninth straight quarter of double digit EPS growth since new management joined the company. As of December, the stock price trades at 13.8x free cash flow (after maintenance capex), a price we believe is a discount to the company's intrinsic value.

FirstGroup is a UK-listed, mass transport company with 60% of earnings flowing from North America. Mass transportation reduces travel by private vehicles and, in doing so, vehicle miles of travel and the accompanying emissions. The global financial crisis and a largely debt financed acquisition forced the company into a rights issue and a capital intensive operational turnaround in 2013. Since then little evidence of the operational improvement has been visible due to muted end market demand. Nevertheless, with the programme coming to an end we expect free cash flow will significantly improve in the next few years leading to a revaluation of the stock.

Post Year-End Investments

Early in 2017 we added two positions to the portfolio. The first, Red Electrica, is the monopoly owner of the Spanish transmission grid. Red Electrica develops the necessary infrastructure to facilitate the integration of renewable energy and implements demand-side management initiatives aimed at achieving greater electricity system efficiency. The Company possesses an irreplaceable and essential asset base and a highly visible business model. We like Red Electrica's relative dividend yield spread, their ability to outperform their conservative targets and believe that they have the potential to increase leverage.

We also added a small position in Grivalia, one of the largest real estate companies in Greece. Grivalia differentiates itself from local competition with a focus on the energy efficiency of their buildings and a value orientation. At the time of writing Grivalia own the only Leadership in Energy and Environmental Design (LEED) Platinum and Gold standard buildings in Greece. The company possesses a portfolio conservatively valued with very limited debt and simple, clean accounts. We expect they will make money through compression of rental yields, an uplift from retail assets and an upgrade of the portfolio. Though the political situation in Greece remains unstable the portfolio possesses an attractive yield and capital valuation with both property values and rental incomes down by ~50% from the peak. Moreover, management have shown tremendous discipline in deploying capital.

Exited Positions

Two of the principal detractors to performance for the year have been in the solar power sector (described in the half year report). We sold our stakes in both SunEdison and Canadian Solar early in the year. Together these positions detracted 4.1% from the Company's performance.

We also sold out of nine additional positions, partly as a result of bringing the management of the listed portfolio in-house. While these exited stocks had contributed 3.4% to the portfolio, we felt that there were more attractive opportunities elsewhere.

Private Investments

Portfolio Update

In December 2015, we invested in a high-quality private European solar development company, **X-Elio**, alongside global investment firm KKR. X-Elio is an owner, operator and developer of solar photovoltaic plants worldwide with a highly experienced management team. Since acquisition the company has performed ahead of budget on a number of operating metrics, completed two projects with 82 MW total capacity (in Chile and Japan) and embarked on four new assets in Japan with 120 MW total capacity. Development activities continue at a steady pace and the portfolio has the potential to reach 1,000 MW by 2019. The investment has contributed 2.4% to the Company's return due to sterling weakening.

Our position in the **WCP Growth Fund**, managed by Alpina Partners, was our worst performing position in 2016, detracting 3.6% from the NAV performance. Since inception the position has been marked down by £4.9 million due to the performance of the underlying portfolio. The fund currently stands at 0.79x of the total value to paid-in capital. The fund had a successful exit from VIA Optronics in the third quarter, which resulted in a distribution of £2.4m to Menhaden. We remain disappointed in the performance of the position. Importantly, we are learning from this experience and are reassessing the use of outside managers.

Our **Alpina Partners Fund** stake detracted 2% from the Company's return. Two of the four investments made in this fund to date have been marked down to close to zero, and the NAV of the fund is very concentrated in one investment. Despite our historic concerns around the manager, we are more comfortable on the valuation of the existing portfolio in Alpina Partners Fund than we have been in the past. However, our outstanding commitment of £7.9m concerned us, and as a result of these two facts, we have taken the decision to sell half of our stake, with the aim of reducing this

Portfolio Review

continued

commitment to a level with which we are more comfortable. As is typical in the secondary market for private equity fund stakes where there is a significant undrawn commitment, this has been subject to a significant discount to current NAV, which in this case is exacerbated by the limited track record of, and changes to, the Alpina team. The discount results in a 2.0p reduction in NAV, which is a significant cost, but we believe it is mitigated by the c. 0.2p per year of NAV we were paying on the undrawn commitment, and the ability to control the future deployment of our own capital.

Post Year-End Investments

We completed our second direct private equity investment of £3.5 million in January 2017, in one of the largest independent smart meter providers in the UK, alongside KKR. Calvin Capital's business model is to purchase smart meters on behalf of energy suppliers, fund and pay for their installation and manage the billing process throughout their expected operating life of over 20 years. Given Calvin's market leading position, the company is well placed to capture the further rollout of smart meters in the UK over the next five years. Calvin's portfolio of meters offers strong downside protection and cash yield. The business is highly cash generative with an EBITDA margin of over 90% and good cash conversion. We believe we are in good hands with our partners, KKR, and are excited by Calvin's prospects.

Yield Investments

Portfolio Update

Our position in **Terraform Power** was up 26% (contributing 1.6% to the NAV) over the year as management got to grips with the company after the bankruptcy of its parent, SunEdison and Brookfield Renewable Energy emerged as a significant shareholder. We like the high-quality portfolio of solar and wind power plants located in North America and the contracted cash flows that go with them. From this point we look forward to the company resolving its future either by replacing SunEdison as sponsor or through a full sale of the business. Either way we believe that there is still upside from this point.

We retain a small stake (0.4% of NAV) in **Abengoa's** senior bonds. In November the majority of creditors approved a restructuring agreement put forward by the company. In the plan creditors agreed to inject new capital and will swap their existing bonds for a stake in the new equity of the business and new debt instruments.

New Investments

Atlantica Yield, the former yield company of Abengoa, owns and operates renewable energy, conventional power and electric transmission lines globally. All of these assets have contracted revenues with low risk off-takers and long duration contracts (weighted average life of 21 years). The balance sheet problems of Atlantica's former sponsor provided us with an opportunity to acquire shares in the yield company at an expected IRR over 10% over the next 20 years. Progress with existing creditors to obtain waivers required as a result of the Abengoa restructuring has been excellent and operating assets have shown consistent cash generation this year. Our position in the shares and debt of Atlantica has contributed 0.8% to the portfolio over 2016.

Brookfield Renewable Energy owns 10,700 MW of installed, mainly hydroelectric, capacity globally. Hydro is the highest value renewable asset class with the longest life, lowest cost and is completely carbon free. Brookfield offers robust, stable cash flows (partly due to storage and pooling capabilities) and management possesses a value investor mentality which we believe will allow them to grow capacity accretively over the next three years.

Conclusion

We remain dissatisfied with our performance since launch. However, we believe we have reacted sensibly and proactively to the lessons our initial poor performance taught us. We adopted a disciplined approach, strengthened our investment team, rebalanced our portfolio and enhanced our investment process. The result is that from a low-point in May 2016, our NAV increased by 12.1% to the year-end. We believe our well-balanced and positioned portfolio, and rigorous investment processes and structure, make us well placed to take advantage of the opportunities that our investment thesis presents.

Menhaden Team
5 April 2017

The members of the Menhaden Team have been seconded to act for Frostrow Capital LLP from Menhaden Capital Management LLP

Menhaden Team

The Menhaden Team has been seconded to act for Frostrow Capital LLP from Menhaden Capital Management LLP.

Graham Thomas

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

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

Ben Goldsmith

Ben is the Chief Executive Officer of Menhaden Capital Management LLP. Before founding Menhaden Capital Management LLP with Alexander Vavalidis and Graham Thomas, Ben co-founded the WHEB group, one of Europe's leading energy and resource-focused fund investment businesses. Ben is a director of Cavamont Holdings, the Goldsmith family's investment holding vehicle. Ben also chairs the UK Conservative Environment Network, a group which has a preference for decentralised, market-orientated solutions to environmental and resource issues.

Alexander Vavalidis

Alexander is an investment manager at Menhaden Capital Management LLP. Before founding Menhaden Capital Management LLP with Ben Goldsmith and Graham Thomas, Alexander worked at Manzanita Capital, a private equity firm founded by the Fisher family in London focusing on the prestige beauty industry. Before Manzanita Capital, Alexander worked in New York for the Financial Sponsors group at Credit Suisse and for the Illiquids group at Dresdner Kleinwort in London.

Alexander holds an MA in Natural Sciences from Oxford University and an MBA from Harvard Business School.

Luciano Suana

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

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

Investment Process

Investment Process

The day-to-day portfolio management services, for which the AIFM has overall responsibility, are carried out by Ben Goldsmith, Alexander Vavalidis and Luciano Suana. They identify and present investment opportunities to the Investment Committee, of which they are members and which is chaired by Graham Thomas.

As part of their process for determining which investments to pursue, Mr Goldsmith, Mr Vavalidis and Mr Suana assess whether each opportunity actively addresses the challenges of resource efficiency, either for the benefit of its business or its customers. They analyse the resource efficiency attributes demonstrated by the potential investment opportunities and assess whether those attributes are likely to prove commercially beneficial and enhance their attraction as investments.

This assessment is combined with other valuation and investment methodologies to form a view on whether the asset provides an attractive medium to long-term investment opportunity.

When identifying suitable investment opportunities, the Menhaden 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 Mr Goldsmith, Mr Vavalidis and Mr Suana. All investment decisions must be made with the unanimous consent of all members of the Investment Committee unless one of the members has a potential conflict of interest, in which case that member will excuse himself from that particular decision.

Strategic Advisory Group

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

Investment Network

The Menhaden 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 Menhaden Team believe that this is of benefit to the investment process and helps to source opportunities that they believe would not otherwise be available to the Company.

Business Review

The Strategic Report on pages 2 to 21 has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

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

Business Model

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

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

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

The Board

Details of the Board of Directors of the Company are set out on pages 22 and 23.

All Directors will seek re-election by shareholders at the Annual General Meeting to be held on 17 May 2017.

Board Focus and Responsibilities

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

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

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

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

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

The Corporate Governance Statement, on pages 29 to 33, includes a statement of compliance with corporate governance codes and best practice. The Audit Committee Report starting on page 34 contains an outline of the internal control and risk management framework within which the Board operates.

Key Performance Indicators ("KPIs")

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

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

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

Business Review
continued

asset value growth of the Company and any dividends paid to shareholders.

Share price total return
The Directors regard the Company's share price total return to be a key indicator of performance and monitor this closely.

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

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

The ongoing charge ratio reflects the costs incurred directly by the Company calculated in accordance with the AIC guidance on ongoing charges. In addition, the Company has invested 8.4% (2015: 23.6%) of its portfolio in investments managed by external fund managers. The fees charged by such managers are incurred indirectly by the Company as they are paid by the underlying fund and are not separately disclosed.

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

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

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

Principal Service Providers
The principal service providers to the Company are Frostrow Capital LLP ("Frostrow" or the "AIFM"), the members of Menhaden Capital Management LLP who have been seconded to Frostrow to carry out portfolio management responsibilities, and J.P. Morgan Europe Limited (the "Depositary"). Details of their key responsibilities and their contractual arrangements with the Company follow.

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

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

The notice period on the AIFM Agreement with Frostrow, following an initial two year period, is six months and termination can be initiated by either party.

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

Menhaden Team
The Menhaden Team have been seconded to Frostrow from Menhaden Capital Management LLP ("MCM") for the purpose of performing the following portfolio management responsibilities:

- 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.

The Menhaden Team have applied to the FCA for MCM to become authorised to perform portfolio management activities in its own right. Once MCM becomes authorised by the FCA, it is expected that the secondment of the Menhaden Team to Frostrow will end and Frostrow will delegate the Company's day-to-day portfolio management activities to MCM by way of a portfolio management agreement.

Portfolio Management Fee
Frostrow has assigned to MCM the right to receive the portfolio management fee, which is a periodic fee equal to 1.25% of the Company's net assets up to £150 million and 1.00% of the Company's net assets in excess of £150 million.

Performance Fee
Dependent on the level of the long-term performance of the Company, the AIFM is entitled to a performance fee. Frostrow has assigned to MCM the right to receive the performance fee.

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

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

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

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

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

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

The notice period on the Depositary Agreement, following an initial one year period, is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Evaluation of the AIFM and the Menhaden Team

The performance of the AIFM and the Menhaden Team is reviewed continuously by the Board and the Company's Management Engagement Committee (the "MEC") with a

Business Review
continued

formal evaluation process being undertaken each year. As part of this process, the Board monitors the services provided by the AIFM and the Menhaden Team and receives regular reports from them. The MEC reviewed the appropriateness of the appointment of the AIFM and the Menhaden Team in November 2016 with a recommendation being made to the Board.

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

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

Principal Risks and Uncertainties

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

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

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

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

Investment Risks

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

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

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

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

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

Financial Risks

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

The most significant counterparty to which the Company is exposed is J.P. Morgan Europe Limited, the Depositary, which is responsible for the safekeeping of the Company's custodial assets.

Credit risk is managed by the Board through:

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

Further information on the use of financial instruments and their risks, including credit risk, can be found in note 14 beginning on page 60.

Details of the work undertaken in regard to verifying ownership and the valuation of unquoted (non-custodial) assets is set out on page 35.

Operational Risk

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

To manage these risks the Board:

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

Shareholder Relations and Share Price Performance Risk

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

In managing this risk the Board:

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

Business Review

continued

Company promotional activities have been delegated to Frostrow, who report to the Board at each Board meeting on these activities.

Company Promotion

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

Frostrow looks to promote the Company in the following ways:

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

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

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

Board Diversity

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

Social, Human Rights and Environmental Matters

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

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

The Board believes that the integration of financially material environmental, social and governance ("ESG") issues into investment decision-making can reduce risk and enhance returns. In addition, the on-going engagement and dialogue with investee companies, including through proxy voting, are key parts of an asset stewardship role. Accordingly, the Directors require the Menhaden Team to use their best endeavours 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 AIFM and Menhaden Team's statement of compliance with the Financial Reporting Council UK Stewardship Code and proxy voting policy are available at www.frostrow.com. The Board has reviewed this statement and policy, as well as the proxy voting decisions made on the Company's behalf.

The Company produces an annual impact report setting out the environmental purpose of the Company and the impact it has, or intends to deliver. The report is published on www.menhaden.com.

Performance and Future Developments

An outline of performance, investment activity and strategy, and market background during the year, as well as the future outlook, is provided in the Chairman's Statement beginning on page 4 and the Portfolio Review on pages 10 to 12.

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

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

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

This Strategic Report on pages 2 to 21 has been signed for and on behalf of the Board.

Sir Ian Cheshire
Chairman
5 April 2017

Board of Directors

Sir Ian Cheshire (Chairman)

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

Sir Ian is Chairman of Debenhams plc, Senior Independent Director of Whitbread plc and Government lead non-executive Director. He is a non-executive director of Barclays PLC and Barclays Bank PLC and is the Chairman designate of Barclays UK, the ring-fenced retail bank. He is also President of the Business Disability Forum President's Group and Chairman of the Advisory Board of the Cambridge Institute for Sustainability Leadership.

In addition, Sir Ian chaired the Ecosystem Markets Task Force, an independent business-led initiative aimed at helping UK business to find new opportunities to drive green economic growth and profit from valuing and protecting nature.

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

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

Meeting Attendance

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

Type and number of meetings held in 2016	Board (4)	Audit Committee (3)	Management Engagement Committee (1)
Sir Ian Cheshire	4	N/A	1
Duncan Budge	4	3	1
Emma Howard Boyd	4	3	1
Howard Pearce	4	3	1

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

Emma Howard Boyd

Emma Howard Boyd has spent her 26-year career working in financial services, initially in corporate finance, and then in fund management, specialising in sustainable investment and corporate governance.

As Director of Stewardship at Jupiter Asset Management, Emma was integral to the development of their reputation in the corporate governance and sustainability fields. This work included research and analysis on companies' environmental, social and governance performance, engaging with companies at board level and public policy engagement.

Emma currently serves on various boards and advisory committees including the Environment Agency (Chair), Future Cities Catapult (Vice Chair), Share Action (Chair of Trustees), the Aldersgate Group, the 30% Club Steering Committee, the Executive Board of The Prince's Accounting for Sustainability Project and the Carbon Trust Advisory Panel. She is an ex officio Defra board member.

Howard Pearce

Howard Pearce has spent all his career in the environment and investment sectors. He is the founder of HowESG Limited, a specialist asset stewardship, environmental sustainability and governance advisory business. His non-executive roles include Independent Chair of the Bank of Montreal Global Asset Management Responsible Investment Advisory Council; Independent Chair of the boards of the Avon and Wiltshire Pension Funds, Independent Non-Executive Director of Response Global Media Limited; and Board member, Audit Committee Chair and Remuneration Committee member of Cowes Harbour Commission. Previously he was Trustee, Audit Committee Chair and Member of the Investment Committee of Above and Beyond, an NHS charity. Prior to that he was Head of Pension Fund Management and a member of the Pensions and Investment Committees of the award-winning Environment Agency pension fund.

Directors' Interests

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

	Ordinary Shares of 1p each	
	31 December 2016	31 December 2015
Sir Ian Cheshire	115,000	25,000
Duncan Budge	10,000	10,000
Emma Howard Boyd	18,000	8,000
Howard Pearce	8,000	4,957
Total	**151,000**	**47,957**

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

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditors' Report for the year ended 31 December 2016. Disclosures relating to performance, future developments and risk management can be found within the Strategic Report on pages 2 to 21.

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 authorised investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. 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, shareholders will have an opportunity to vote on the continuation of the Company at the 2020 Annual General Meeting and every five years thereafter.

Results and Dividends

The results attributable to shareholders for the period are shown on page 48. No dividends were declared during the year and the Directors have not recommended a final dividend for the year. Information on the Company's dividend policy is detailed in the Chairman's Statement on page 4.

Alternative Performance Measures

The Financial Statements (on pages 48 to 65) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 2 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on page 15.

Substantial Interests in Share Capital

The Company was aware of the following substantial interests in the voting rights of the Company as at 28 February 2017, the latest practicable date before publication of the Annual Report.

	28 February 2017		31 December 2016	
Shareholder	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital
Cavenham Private Equity & Directs	12,500,000	15.6	12,408,604	15.5
Generali Versicherung	6,000,000	7.5	6,000,000	7.5
Kendall Family Investments	5,000,000	6.3	5,000,000	6.3
UBS Wealth Management	4,397,451	5.5	2,922,451	3.7
Ravenscroft	4,078,100	5.1	3,366,100	4.2
Aachen Meunchener Versicherung	4,000,000	5.0	4,000,000	5.0
Santino Global Assets	3,000,000	3.8	3,000,000	3.8
Rathbones	2,844,320	3.6	2,834,800	3.6

As at 31 December 2016 and to the date of this report, the Company had 80,000,001 Ordinary Shares in issue.

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on page 68 to 69.

Capital Structure

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

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

No shares were issued or repurchased during the year.

There are no:

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

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

No Shares were issued during the year and no Shares have been repurchased to the date of this report.

Going Concern

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

Viability Statement

The Directors have carefully assessed the Company's current position and prospects as described in the Chairman's Statement and the Portfolio Review, as well as the Principal Risks and Uncertainties outlined on pages 18 to 20 and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

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

- the Board and the Menhaden Team will continue to adopt a long-term view when making investments. When making a new investment the anticipated holding period can be five years or more.
- the portfolio includes investments traded on major international stock exchanges and there is a spread of investments by size of company. It is estimated that 60% of the portfolio could be liquidated, in normal market conditions, within seven trading days;
- the Company's expenses are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- the Company has no employees, only non-executive Directors, and consequently does not have employment related liabilities or responsibilities.

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

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

- investors will wish to continue to have exposure to the type of companies that the Company invests in, namely those companies that deliver or benefit from the efficient use of energy and resources;

Directors' Report

continued

- shareholders will vote in support of the continuation of the Company in 2020;
- the performance of the Company will be satisfactory; and
- the threats to the Company's solvency or liquidity incorporated in the Principal Risks will be managed or mitigated as outlined on pages 18 to 20.

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

Beneficial Owners of Shares – Information Rights

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

Greenhouse Gas Emissions

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

The Company produces an annual impact report which is published on www.menhaden.com. The impact report will provide further detail on the environmental purpose and impact of the Company.

Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year ended 31 December 2016. It is intended that this policy will continue for the year ending 31 December 2017 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 any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

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

Other Statutory Information

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

- the rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.
- subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special powers given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors. The Directors' powers to

issue and buy back shares, in force at the end of the year, are recorded on page 25.

- there are no agreements:

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

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

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Political Donations

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

Whistleblowing Policy

As the Company has neither executive directors nor employees, a formal whistleblowing policy has not been adopted. However, the Board has agreed a procedure by means of which any directors or employees of external service providers can bring to the attention of the Chairman matters of concern to them.

Disclosure of Information to Auditors

The Directors at the time of approving the Directors' Report are listed on pages 22 and 23. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware; and

- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

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

By order of the Board

Frostrow Capital LLP
Company Secretary
5 April 2017

Statement of Directors' Responsibilities

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Report

The Directors, whose details can be found on pages 22 and 23, 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 2016; and
- the Chairman's Statement, Strategic Report and the Directors' Report include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules.

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

On behalf of the Board

Sir Ian Cheshire
Chairman
5 April 2017

Corporate Governance Statement

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

Copies of the AIC Code, the AIC Guide and the UK Corporate Governance Code can be found on the respective organisations’ websites: www.theaic.co.uk and www.frc.org.uk.

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

Statement of Compliance

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

The UK Corporate Governance Code includes certain provisions relating to:

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

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

Corporate Governance Statement

continued

The Board and Committees

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

The Board

Chairman – Sir Ian Cheshire

Three additional non-executive Directors, all considered independent.

Key roles and responsibilities:

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

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

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

Management Engagement Committee

Chairman – Sir Ian Cheshire

All Directors

Key roles and responsibilities:

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

Audit Committee

Chairman – Howard Pearce

Duncan Budge, Emma Howard Boyd

Key roles and responsibilities:

– to review the Company's financial reports;

– to oversee the risk and control environment and financial reporting; and

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

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

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

Anti-Bribery and Corruption Policy

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

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

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

Board of Directors

Directors' Independence

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

Board Evaluation

During the course of 2016 the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Chairman.

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

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

Policy on Director Tenure

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

Appointments to the Board

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

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

Induction/Development

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

Conflicts of Interest

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

Exercise of Voting Powers

The Board has delegated authority to Frostrow (as AIFM) to vote the shares owned by the Company that are held

Corporate Governance Statement
continued

on its behalf by its Custodian. The Menhaden Team have responsibility for carrying out the voting on Frostrow's behalf.

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

Further details of the Company's voting record can be found in the Company's impact report and 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.

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

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

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

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

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

The Board has reviewed the AIFM and Menhaden Team's Statement of Compliance with the UK Stewardship Code, and their Proxy Voting Policy, which are available on Frostrow's website www.frostrow.com.

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

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

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

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

All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Frostrow, MCM, the Auditor, legal advisers and the Corporate Stockbroker.

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

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

Significant Holdings and Voting Rights

Details of the substantial interests in the Company's Shares, the voting rights of the shares and the Directors' authorities to issue and repurchase the Company's shares, are set out in the Directors' Report on pages 24 to 27.

Nominee Share Code

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

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

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

By order of the Board

Frostrow Capital LLP
Company Secretary
5 April 2017

Audit Committee Report

Statement from the Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2016. The Committee met three times during the year under review.

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

Composition

The Audit Committee comprises Howard Pearce (Chairman of the Committee), Duncan Budge and Emma Howard Boyd whose biographies are set out on pages 22 and 23. The Committee considers that each member has recent and relevant experience in accounting, auditing or financial reporting and that the Committee as a whole has experience relevant to the investment trust industry.

Responsibilities

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

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

2. To review the risk management and internal control processes of the Company and its key service providers. Further details are provided in the Internal Controls and Risk Management section on page 35.

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

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

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

Meetings and Business

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

March 2016

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

September 2016

- Review of the Company's non-audit services policy;
- Review of the Company's half yearly results;
- Approval of the Half Yearly Report and financial statements; and
- Review of risk management, internal controls and compliance.

November 2016

- Review of the Auditors' plan and terms of engagement for the 2017 audit; and
- Review of risks, internal controls and compliance.

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

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

Against this background, a risk matrix has been developed which covers all key risks that the Company faces, the likelihood of their occurrence and their potential impact, how these risks are monitored and mitigating controls in place. The Board has delegated to the Audit Committee the responsibility for the review and maintenance of the risk matrix and it reviews, in detail, the risk matrix each time it meets, bearing in mind any changes to the Company, its environment or service providers since the last review. Any significant changes to the risk matrix are discussed with the whole Board.

During the year, the Committee considered whether the UK's exit from the European Union ("Brexit") posed a unique risk to the Company. The Committee believes that Brexit is unlikely to affect the Company's business model or how the Company's shares are sold but will continue to monitor regulatory and tax-related developments.

The Committee reviews internal controls reports from its principal service provide 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 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 52. 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 the Menhaden Team 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 2016 to ensure that they were carried out in accordance with the accounting policy set out in note 1(b) on page 53. Having reviewed the valuations, the Committee confirmed that they were satisfied that the investments had been valued correctly.
Risk of revenue being misstated due to the improper recognition of revenue.	The Committee took steps to gain an understanding of the processes in place to record investment income and transactions. In addition, the Committee reviewed the treatment of fixed income returns on debt securities.

Audit Committee Report

continued

Financial Statements

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

The Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. The financial statements can be found on pages 48 to 65.

The Audit Committee also reviewed the financial position and principal risks of the Company in connection with the Board's statement on the longer-term viability of the Company, which is set out on pages 25 and 26 of the Directors' Report.

External Auditors

In addition to the reviews undertaken at the Committee meetings, I met with Grant Thornton UK LLP ("Grant Thornton") on 2 March 2017 to discuss the outcome of the audit and the draft Annual Report. I also met with Grant Thornton without Frostrow or the Menhaden Team being present to discuss the outcome of the audit on 20 March 2017.

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

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

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

- the Auditors' fulfilment of the agreed audit plan;
- the report arising from the audit itself; and
- feedback from Frostrow.

The Committee is satisfied with the Auditors' 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 monitors the level of non-audit work carried out by the Auditor, if any, and seeks assurances from the Auditor that they maintain suitable policies and procedures ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis.

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

Auditors' Reappointment

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

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

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

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

Howard Pearce
Chairman of the Audit Committee
5 April 2017

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 Auditors to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditors' opinion is included in their report to shareholders on pages 41 to 47.

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

The Board as a whole considered the level of Directors' fees at their meeting in November 2016 and determined that it was appropriate to maintain them at their current levels for 2017.

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

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

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

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

Single total figure of remuneration 2016 (audited)

Director	Date of appointment to the Board	2016 Fees	2016 Taxable expenses[1]	2016 Total	2015 Fees[2]	2015 Taxable expenses[1]	2015 Total
Sir Ian Cheshire	3 October 2014	50,000	–	50,000	21,000	–	21,000
Duncan Budge	3 October 2014	40,000	–	40,000	16,770	–	16,770
Emma Howard Boyd	3 October 2014	40,000	–	40,000	16,770	–	16,770
Howard Pearce	3 October 2014	40,000	3,744	43,744	16,770	2,382	19,152
TOTAL		170,000	3,744	173,744	71,310	2,382	73,692

[1] Under revised HMRC guidance, travel expenses and other out of pocket expenses are considered taxable benefits for UK-based directors. The expenses in this column comprise out of pocket travel and training expenses together with the associated tax liability incurred by the Directors in the performance of their duties.

[2] A pro rata fee was payable in 2015 as the Company was launched on 31 July 2015.

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

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

	Ordinary Shares of 1p each as at 31 Dec 2016	Ordinary Shares of 1p each as at 31 Dec 2015
Sir Ian Cheshire	115,000	25,000
Duncan Bridge	10,000	10,000
Emma Howard Boyd	18,000	8,000
Howard Pearce	8,000	4,957
Total	**151,000**	47,957

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

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

Performance

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

Rebased to 100 as at 31 July 2015

Source: Morningstar, Thomson Reuters and Bloomberg

This report is required to include a table showing actual expenditure by the Company on remuneration and distributions to shareholders for the current and prior year. However, as the Company launched on 31 July 2015 and the Directors have not yet declared or recommended payment of a dividend, and as the Company has not repurchased any of its shares, this information has not been included.

Statement of Voting at the AGM

At the Annual General Meeting held in May 2016 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

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

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

The results in respect of the resolution to approve the Directors' Remuneration Policy were as follows:

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

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

By order of the Board

Sir Ian Cheshire
Chairman
5 April 2017

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.

An ordinary resolution for the approval of this policy will be considered by shareholders at the Annual General Meeting to be held in 2019. It is intended that this policy will remain in place for the following financial year and subsequent financial periods.

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

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

The current and projected Directors' fees for 2016 and 2017 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Fees (£) 2017	Total Fees (£) 2016
Sir Ian Cheshire	50,000	50,000
Duncan Budge	40,000	40,000
Howard Pearce	40,000	40,000
Emma Howard Boyd	40,000	40,000
	170,000	170,000

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

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

Independent Auditors' report to the members of Menhaden Capital PLC

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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.

What we have audited

Menhaden Capital PLC's financial statements for the year ended 31 December 2016 comprise the income statement, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes.

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

Overview of our audit approach

- Overall materiality: £700,000, which represents approximately 1% of the Company's net assets; and
- Key audit risks were identified as existence and valuation of unquoted investments and quoted investments, and completeness of investment income.

Independent Auditors' Report

continued

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk

Existence and valuation of unquoted investments and quoted investments

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

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

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

Different valuation approaches apply to different investments. As a result there is a risk that the investment valuation recorded in the statement of financial position may be incorrectly valued. There is also a risk that investments shown in the statement of financial position may not exist. Accordingly, we have identified existence and valuation of unquoted investments and quoted investments as risks that required special and particular audit attention.

How we responded to the risk

Unquoted investments

Our audit work included, but was not restricted to:

- assessing whether the Company's accounting policy for unquoted investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the AIC SORP and testing whether the Company has accounted for unquoted investments in accordance with the policy;
- obtaining and reviewing the investment valuation policies of the private equity funds which the Company has invested in and assessing whether the valuations were performed in accordance with the International Private Equity and Venture Capital Valuation guidelines;
- obtaining an understanding of the investment valuation process for the private equity funds through review of the fund's latest available audited financial statements, review of the fund's latest quarterly reports and discussion with the fund's management; and
- obtaining a direct confirmation of the investments held by the Company at the year-end from the respective fund administrators.

Audit risk	How we responded to the risk
	Quoted investments Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for quoted investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the AIC SORP and testing whether the Company has accounted for such investments in accordance with the policy; • comparing the investments holdings to the confirmation from the Company's custodian; and • comparing the valuation to an independent source of market prices. The Company's accounting policy on investments held at fair value through profit or loss is shown in Note 1(b) and its disclosures about investment movements are included in Note 7. The Audit Committee identified valuation, existence and ownership of investments, in particular unquoted investments, as significant risks in its report on page 35 where the Committee also described the action that it has taken to address these risks.
Completeness of investment income The Company aims to provide long-term shareholder returns by investing in businesses and opportunities delivering or benefiting from the efficient use of energy and resources. Income from investments is a significant, material item in the income statement. We therefore identified completeness of investment income as a risk that required particular audit attention.	Our audit work included, but was not restricted to: • assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the AIC SORP; • obtaining an understanding of the Company's process for recognising revenue in accordance with its stated accounting policy; • testing a sample of income transactions to assess if these were recognised in accordance with the policy; and • for a sample of investments held during the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the general ledger.

Independent Auditors' Report

continued

Audit risk	How we responded to the risk
	The Company's accounting policy on investment income is shown in Note 1(c) and the components of that income are included in Note 2. The Audit Committee identified the risk of revenue being misstated due to improper recognition of revenue as a significant risk in its report on page 35, where the Committee also described the action that it has taken to address this risk.

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

Materiality

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

We determined materiality for the audit of the financial statements as a whole to be £700,000, which is based on approximately 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which are primarily composed of the Company's investment portfolio, are considered to be the key driver of the Company's total return performance. No revision to the materiality determined above was necessary as we judged that it remained appropriate in the context of the Company's actual financial results for the year ended 31 December 2016.

Materiality for the current year is higher than the level that we determined for the period ended 31 December 2015 to reflect the increase in the value of net assets.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as investment income, Alternative Investment Fund Manager (AIFM) and portfolio management fee, directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £35,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers. Our audit approach was based on a thorough understanding of the Company's business and is risk based, and in particular included:

- obtaining an understanding of, and evaluating relevant internal controls at both the Company and third party service providers by obtaining and evaluating internal controls reports on the description and design of controls at the AIFM and other third party service providers; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, our evaluation of the design and implementation of controls over individual systems.

Other reporting required by regulations

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

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report 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 Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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

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

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

Independent Auditors' Report

continued

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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.

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on pages 25 and 26; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

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

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its

liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
5 April 2017

Income Statement

	Notes	For the year ended 31 December 2016 Revenue £'000	Capital £'000	Total £'000	For the period ended 31 December 2015 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value through profit and loss	7	–	2,075	2,075	–	(10,757)	(10,757)
Income from investments	2	532	–	532	611	–	611
Impairment of interest	4	–	–	–	(206)	–	(206)
AIFM and Portfolio management fees	3	(191)	(777)	(968)	(87)	(350)	(437)
Other expenses	4	(428)	–	(428)	(221)	(22)	(243)
Net (loss)/return before taxation		(87)	1,298	1,211	97	(11,129)	(11,032)
Taxation on net return	5	(43)	–	(43)	(24)	–	(24)
Net (loss)/return after taxation		(130)	1,298	1,168	73	(11,129)	(11,056)
(Loss)/return per share	6	(0.1)p	1.6p	1.5p	0.1p	(13.9)p	(13.8)p

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

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

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

The accompanying notes on pages 52 to 65 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2016

	Ordinary share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2015	800	77,371	–	(11,129)	73	67,115
Cancellation of Share premium account	–	(77,371)	77,371	–	–	–
Net return/(loss) after taxation	–	–	–	1,298	(130)	1,168
At 31 December 2016	800	–	77,371	(9,831)	(57)	68,283

For the period ended 31 December 2015

	Ordinary share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Issue of shares following placing and offer for subscription	800	79,200	–	–	–	80,000
Expenses of placing and offer for subscription	–	(1,829)	–	–	–	(1,829)
Net (loss)/return after taxation	–	–	–	(11,129)	73	(11,056)
At 31 December 2015	800	77,371	–	(11,129)	73	67,115

The accompanying notes on pages 52 to 65 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2016 £000	As at 31 December 2015 £000
Fixed assets			
Investments at fair value through profit and loss	7	52,547	63,709
Current assets			
Debtors	8	65	204
Cash		15,872	3,371
		15,937	3,575
Current liabilities			
Creditors: amounts falling due within one year	9	(201)	(169)
Net current assets		15,736	3,406
Total net assets		68,283	67,115
Capital and reserves			
Ordinary share capital	10	800	800
Share premium account		–	77,371
Special reserve		77,371	–
Capital reserve	15	(9,831)	(11,129)
Revenue reserve		(57)	73
Total shareholders' funds		68,283	67,115
Net asset value per share	11	85.4p	83.9p

The financial statements on pages 48 to 65 were approved by the Board of Directors and authorised for issue on 5 April 2017 and were signed on its behalf by:

Sir Ian Cheshire
Chairman

The accompanying notes on pages 52 to 65 are an integral part of these financial statements.

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

Statement of Cash Flows

	Notes	For the year ended 31 December 2016 £000	For the period ended 31 December 2015 £000
Net cash outflow from operating activities	12	(739)	(194)
Investing activities			
Purchases of investments		(23,438)	(76,636)
Sales of investments		36,678	2,170
Net cash outflow from investing activities		13,240	(74,466)
Net cash outflow before financing activities		12,501	(74,660)
Financing activities			
Issue of shares following placing and offer for subscription	10	–	80,000
Expenses of placing and offer for subscription		–	(1,969)
Net cash inflow from financing activities		–	78,031
Increase in cash and cash equivalents		12,501	3,371
Cash and cash equivalents at beginning of period		3,371	–
Cash and cash equivalents at end of period		15,872	3,371

The accompanying notes on pages 52 to 65 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

1. ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 (the 'SORP'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss and on a going concern basis, as set out on page 25.

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

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

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

In preparing these financial statements the Company has adopted 'Amendments to FRS102: Fair value hierarchy disclosures (March 2016)' published by the FRC.

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.

Statement of estimation uncertainty

Estimates and judgements 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 unquoted investments. These are valued by the AIFM in accordance with the policy set out below. Judgement is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgements include making assessments of the future earnings or revenue potential of portfolio companies, appropriate earnings/revenue multiples or discount rate to apply, and adjustments to comparable multiples. Further details on the valuation of unquoted investments are included in note 1(b) on page 53.

1. ACCOUNTING POLICIES continued

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

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

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

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

- Quoted Investments

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

- Unquoted Investments

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

  The fair value of unquoted investments, other than limited partnership funds, are calculated using primary valuation techniques, such as revenue or earning multiples, discounted cash flow analysis and recent transactions, in accordance with the IPEVCA Guidelines.

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

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

  For these investments and in line with the IPEVCA Guidelines, the fair value estimate is based on the attributable proportion of the reported net asset value of the limited partnership derived from the fair value of underlying investments. Valuation reports, provided by the general partner of the limited partnerships, 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 a limited partnership interest 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 a limited partnership interest has been sold the level of any discount, implicit in the sale price, will be reviewed at each measurement date for that limited partnership interest taking account of the performance of the limited partnership, as well as any other factors relevant to the value of the limited partnership interest.

Notes to the Financial Statements

continued

1. ACCOUNTING POLICIES continued

(c) Investment Income

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

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

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

(d) Expenses

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

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

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

(e) Taxation

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

(f) Foreign Currency

Transactions recorded in overseas currencies during the year are translated into sterling at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in overseas currencies are translated into sterling at the exchange rates ruling at the date of the balance sheet. Non-monetary items that are measured at historical cost are translated using the historical exchange rate at the date of the transaction.

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.

1. ACCOUNTING POLICIES continued

(g) Cash and Cash Equivalents

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

(h) Capital Reserves

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

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

(i) Cost of share issues

Costs of share issuance have been offset against the proceeds of the relevant share issue and dealt with in the share premium account.

(j) Special Reserve

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

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

	2016 £'000	2015 £'000
Income from investments		
UK listed dividends	96	8
Overseas dividends	426	342
Fixed interest income	10	261
	532	611
Total income comprises:		
Dividends	522	350
Interest	10	261
	532	611

3. AIFM AND PORTFOLIO MANAGEMENT FEES

	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
AIFM fee	27	110	137	13	53	66
Portfolio management fee	164	667	831	74	297	371
	191	777	968	87	350	437

Notes to the Financial Statements

continued

4. OTHER EXPENSES

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Directors' remuneration	170	–	170	71	–	71
Employers NIC on directors' remuneration	18	–	18	4	–	4
Auditors' remuneration for the audit of the Company's financial statements	32	–	32	32	–	32
Auditors' remuneration for non-audit services	–	–	–	3	–	3
Registrar fees	13	–	13	6	–	6
Broker fees	30	–	30	13	–	13
Legal and professional costs	57	–	57	4	22	26
Stock Exchange listing fees	18	–	18	8	–	8
Depositary fees	44	–	44	17	–	17
Marketing Costs	13	–	13	11	–	11
Other costs	33	–	33	52	–	52
Total expenses	428	–	428	221	22	243

Details of the amounts paid to Directors are included in the Directors' Remuneration Report beginning on page 38.

In addition to the above, the Auditors' received remuneration of £50,000 for reporting accountant work undertaken on the prospectus of the Company during the period ended 31 December 2015. This amount is included within the share premium account as an expense of the placing and offer for subscription.

As the Abengoa Senior Notes are in default, an impairment provision of £206,000 was made against accrued interest on these investments in 2015.

5. TAXATION ON NET RETURN

(a) Analysis of charge in period

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Corporation tax						
Overseas taxation	43	–	43	24	–	24

5. TAXATION ON NET RETURN continued

(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 for a large company of 20.0%. The difference is explained below.

	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
Net (loss)/return before taxation	(87)	1,298	1,211	97	(11,129)	(11,032)
Corporation tax at 20.0% (2015: 20.4%)	(17)	260	243	20	(2,270)	(2,250)
Non-taxable (gains)/losses on investments	–	(415)	(415)	–	2,151	2,151
Overseas withholding taxation	43	–	43	24	–	24
Non taxable overseas dividends	(83)	–	(83)	(68)	–	(68)
Non taxable UK dividends	(19)	–	(19)	(2)	–	(2)
Excess management expenses	119	155	274	50	119	169
Total tax charge	43	–	43	24	–	24

(c) Provision for deferred tax

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

The Company has not recognised a deferred tax asset of £333,000 (17% tax rate) (2015: 20%) (2015: £169,000) as a result of excess management expenses and loan expenses. It is not anticipated that these excess expenses will be utilised in the foreseeable future. The reduction in the standard rate of corporation tax was substantially enacted on 13 September 2016 and will be effective on 1 April 2020.

6. RETURN/(LOSS) PER SHARE

	2016 £'000	2015 £'000
The return per share is based on the following figures:		
Revenue (loss)/return	(130)	73
Capital return/(loss)	1,298	(11,129)
	1,168	**(11,056)**
Weighted average number of shares in issue during the period	80,000,001	80,000,001
Revenue (loss)/return per share	(0.1)p	0.1p
Capital return/(loss) per share	1.6p	(13.9)p
	1.5p	(13.8)p

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

Notes to the Financial Statements

continued

7. INVESTMENTS

	2016 Quoted Investments £'000	2016 Unquoted Investments £'000	2016 Total £'000	2015 Quoted Investments £'000	2015 Unquoted Investments £'000	2015 Total £'000
Opening balance						
Cost at 1 January	52,953	20,985	73,938	–	–	–
Investment holding losses at 1 January	(7,417)	(2,812)	(10,229)	–	–	–
Valuation at 1 January	**45,536**	**18,173**	**63,709**	–	–	–
Movement in the period:						
Purchases at cost	21,738	1,700	23,438	55,651	20,985	76,636
Sales – proceeds	(34,110)	(2,568)	(36,678)	(2,170)	–	(2,170)
– (losses)/gains on sales	(1,951)	269	(1,682)	(528)	–	(528)
Net movement in investment holdings losses	5,393	(1,633)	3,760	(7,417)	(2,812)	(10,229)
Valuation at 31 December	**36,606**	**15,941**	**52,547**	**45,536**	**18,173**	**63,709**
Closing balance						
Cost at 31 December	38,630	20,386	59,016	52,953	20,985	73,938
Investment holding losses at 31 December	(2,024)	(4,445)	(6,469)	(7,417)	(2,812)	(10,229)
Valuation at 31 December	**36,606**	**15,941**	**52,547**	**45,536**	**18,173**	**63,709**

	2016 £'000	2015 £'000
Effective interest rate amortisation	(3)	–
Losses based on historical cost – sales	(1,682)	(528)
Movement in investment holding losses in the period	3,760	(10,229)
Gains/(losses) on investments	**2,075**	**(10,757)**

Purchase transaction costs were £9,000 (2015: £115,000). These comprise mainly commission and stamp duty.

Sales transaction costs were £48,000 (2015: £2,000). These comprise mainly commission.

8. DEBTORS

	2016 £'000	2015 £'000
VAT recoverable	–	154
Withholding tax recoverable	6	–
Prepayments and accrued income	59	50
	65	204

9. CREDITORS

	2016 £'000	2015 £'000
Amounts falling due within one year		
Other creditors and accruals	201	169

10. SHARE CAPITAL

	Total Ordinary Shares in issue number	Total Redeemable Preference Shares in issue number
Issue of shares on incorporation	1	5,000,000
Issue of shares arising from the IPO of the Company	80,000,000	–
At 31 December 2015	80,000,001	–
Cancellation of Redeemable Preference Shares	–	(5,000,000)
At 31 December 2016	80,000,001	–

	2016 £'000	2015 £'000
Issued and fully paid:		
Ordinary shares of 1p	800	800

In 2015 80,000,000 Ordinary Shares were issued raising gross proceeds of £80,000,000. The costs of issue totalled £1,829,000. No Ordinary Shares were held in treasury at 31 December 2016. In 2016 no shares were issued.

The Redeemable Preference Shares, which carried no voting rights and carried no dividend or economic entitlements, were cancelled with effect from 8 June 2016 as confirmed by an Order of the High Court of Justice.

11. NET ASSET VALUE PER SHARE

	2016	2015
Net asset value per share	85.4p	83.9p

Net asset value per share

The net asset value per share is based on the assets attributable to equity shareholders of £68,283,000 (2015: £67,115,000) and on the number of Ordinary Shares in issue at the year end of 80,000,001.

Notes to the Financial Statements
continued

12. RECONCILIATION OF GAINS/(LOSSES) BEFORE TAXATION FROM OPERATING ACTIVITIES

	2016 £'000	2015 £'000
Gains/(losses) before taxation	1,211	(11,032)
Add: (Gains)/losses made on investments	(2,075)	10,753
	(864)	(279)
Decrease/(increase) in debtors	145	(60)
Increase in creditors and accruals	32	169
Effective interest rate amortisation	(3)	–
Net taxation suffered on investment income	(49)	(24)
Net cash outflow from operating activities	**(739)**	**(194)**

13. RELATED PARTIES

The following are considered to be related parties:

- Frostrow Capital LLP
- The Directors of the Company

Details of the relationship between the Company and the Company's AIFM are disclosed in the Strategic Report on page 16. Details of fees paid to Frostrow by the Company can be found in note 3 on page 55. All material related party transactions have been disclosed in note 3 on page 55. Details of the remuneration of all Directors can be found in note 4. Details of the Directors' interests in the capital of the Company can be found on page 39.

Ben Goldsmith, a member of the Menhaden Team who is seconded to Frostrow Capital LLP, holds a minority membership interest in Alpina Partners LLP (formerly WHEB Capital Partners LLP), the investment manager of the WCP Growth Fund LP and the Alpina Partners Fund LP. He also has a small carried interest participation in each of these funds.

14. FINANCIAL INSTRUMENTS

Risk management policies and procedures

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

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

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

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

(ii) liquidity risk

(iii) credit risk

14. FINANCIAL INSTRUMENTS continued

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 2 to 21. The AIFM, in close co-operation with the Board and the Menhaden Team, co-ordinates the Company's risk management.

(i) Other price risk

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

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

Other price risk sensitivity

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

If market prices at the date of the Balance Sheet had been 25% higher or lower while all other variables had remained constant: the revenue return would have decreased/increased by £39,000 (2015: £56,000); the capital return would have increased/decreased by £12,982,000 (2015: £15,760,000); and, the return on equity would have increased/decreased by £12,943,000 (2015: £15,704,000). The calculations are based on the portfolio as at the respective dates of the Statement of Financial Position and are not representative of the year as a whole.

(ii) Foreign currency risk

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

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

Foreign currency exposure

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

	2016 Current assets £'000	2016 Current liabilities £'000	2016 Investments £'000	2015 Current assets £'000	2015 Current liabilities £'000	2015 Investments £'000
U.S. dollar	15	–	33,160	6	(2)	39,458
Euro	4	–	12,987	–	–	4,419
Other	3	–	914	8	–	4,915
	22	–	47,061	14	(2)	48,792

Notes to the Financial Statements

continued

14. 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 Balance Sheet date.

	2016 USD £'000	2016 EUR £'000	2016 Other £'000	2015 USD £'000	2015 EUR £'000	2015 Other £'000
Sterling depreciates	3,635	1,427	100	4,320	484	539
Sterling appreciates	(2,974)	(1,163)	(82)	(3,535)	(396)	(441)

(iii) Interest rate risk

Interest rate changes may affect:

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

– the fair value of investments in fixed interest securities.

Interest rate exposure

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

At 31 December 2016, the Company held 0.9% (2015: 1.8%) of the portfolio in debt instruments. The exposure is shown in the table below:

	2016 Fixed rate £'000	2016 Floating rate £'000	2015 Fixed rate £'000	2015 Floating rate £'000
Quoted debt investments*	165	–	–	–
Cash	–	15,872	–	3,371
	165	15,872		3,371

*The two Abengoa Senior Notes as shown in the portfolio on pages 8 and 9, are currently in default and are therefore not directly impacted by movements in the interest rate.

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 2016 and the net assets would increase/decrease by £157,000 (2015: £34,000).

(iv) Liquidity risk

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

The main liquidity requirements the Company may face are its commitments to the investments in limited partnership funds, as set out in note 16 on page 65. These commitments can be drawn down on 3 or 10 days notice, although it is considered unlikely that they would all be drawn at once. Frostrow and the Menhaden

14. FINANCIAL INSTRUMENTS continued

team are in regular contact with the managers of the limited partnership funds, as a part of which they would be made aware, and plan accordingly, of any material drawdowns under those commitments.

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

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

(v) Credit risk

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

The two Abengoa Senior Notes shown in the portfolio on pages 8 and 9 are currently in default.

Credit risk exposure

	2016 £'000	2015 £'000
Quoted debt investments	479	1,124
Current assets:		
Other receivables (amounts due from brokers, dividends and interest receivable)	67	50
Cash	15,681	3,371

Included in quoted debt investments are the two Abengoa Senior Notes, as shown in the portfolio on page 8, which are currently in default.

(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 52.

As of 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	36,292	314	15,941	52,547

Level 2 investments comprise the Abengoa Senior Notes

As of 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	45,536	–	18,173	63,709

All level 3 investments were valued using non-observable market data and no income was recognised on the level 3 investments. Level 3 investments comprise Helios Co-Invest L.P. (Helios) (described as X-Elio in the portfolio), WCP Growth Fund L.P. (WCP Fund) and Alpina Partners Fund L.P. (Alpina Fund) and the Company owns 6.0% (2015: 9.1%), 10.3% (2015: 10.3%) and 9.4% (2015: 9.7%) of these entities respectively. The cost of these investments was $12,562,000 (2015: $12,562,000), £8,303,000 (2015: £10,258,000) and €5,335,000 (2015: €3,455,000).

Notes to the Financial Statements

continued

14. FINANCIAL INSTRUMENTS continued

During 2016 the WCP Fund was written down by £2,390,000 (2015: £2,460,000) and the Alpina Fund was written down by £528,000 (2015: £577,000). In addition, the WCP Fund made net distributions of £2,495,000 during the year. The value of Helios increased by £1,889,000 due to the depreciation of sterling during the year.

Since the year end the Company has agreed a sale for half the Alpina Fund interest and, in accordance with the accounting policy set out on page 53, the expected sales price has been used to value the holding at £2,805,000 as at 31 December 2016. The Company's pro rata share of the 31 December 2016 net asset valuation provided by the general partner of the Alpina Fund is £5,202,000 and if this valuation had been used to value the interest being retained by the Company, the impact would be an increase of £1,186,000 in net assets and the return for the year (or 1.5p per share).

Further details on the Alpina Fund are set out in the Chairman's Statement on page 4 and the Portfolio Review on pages 10 to 12.

Helios and WCP Fund were valued using the latest net asset valuations provided by their general partners.

(vii) Capital management policies and procedures

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

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

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as disclosed on the Statement of Financial Position on page 50.

The Board, with the assistance of the AIFM and the Menhaden Team, 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 Menhaden Team's view of the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share;
- the need for new issues of equity shares; and,
- the extent to which revenue in excess of that which is required to be distributed should be retained.

15. CAPITAL RESERVE

	2016 Capital Reserves			2015 Capital Reserves		
	Other £'000	Investment Holding Losses £'000	Total £'000	Other £'000	Investment Holding Losses £'000	Total £'000
At 1 January	(900)	(10,229)	(11,129)	–	–	–
Net gains/(losses) on investments	(1,685)	3,760	2,075	(528)	(10,229)	(10,753)
Expenses charged to capital	(777)	–	(777)	(372)	–	(372)
At 31 December	(3,362)	(6,469)	(9,831)	(900)	(10,229)	(11,129)

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

16. FINANCIAL COMMITMENT

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

	Commitment	Notice of drawdown
• WCP Growth Fund LP*	£381,000	10 business days
• Alpina Partners Fund LP^	€3,971,000	10 business days
• X-Elio	$562,000	3 business days

* Formerly WHEB Ventures PE Fund 2 LP

^ Following the sale of 50% of the interest in the Alpha Partners Fund the commitment shown is the post sole commitment i.e. 50% of the commitment as at 31 December 2016.

17. THE COMPANY

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

Shareholder Information

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Menhaden Capital PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday, 17 May 2017 at 12 noon.

Share Prices

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

Change of Address

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

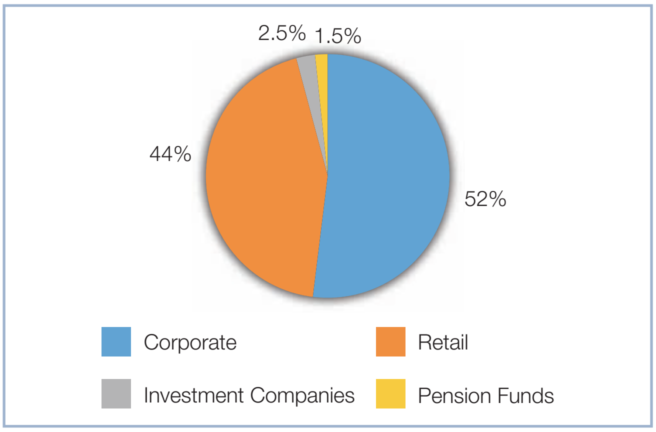
Net Asset Value

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

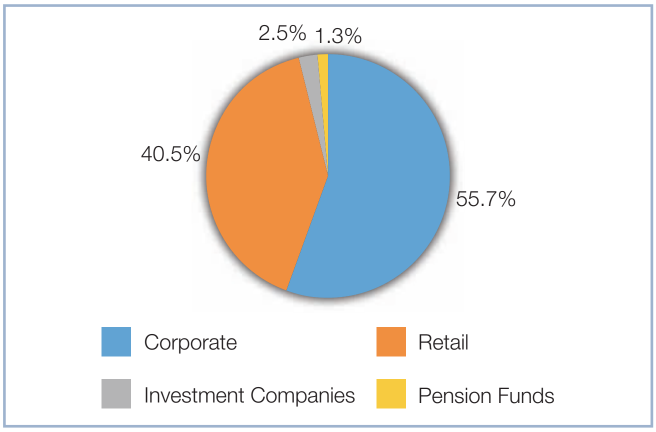
Profile of the Company's Ownership

% of Ordinary Shares held at:

31 December 2016



31 December 2015



AIFMD Disclosures

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

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

The periodic disclosures to investors are made below:

- Information on the investment strategy, sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by Frostrow.
- The Strategic Report and note 14 to the Financial Statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place during the year under review and no breaches of the risk limits set, with no breach expected.
- The maximum level of leverage has not changed in the period under review: the maximum permitted levels are 200% on a gross basis and 120% on a commitment basis (see Glossary on page 68 for further details). No leverage was employed by the Company as at 31 December 2016 and 31 December 2015.
- No right of re-use of collateral or any guarantee granted under the leveraging arrangement has arisen during the period.
- Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Note: These disclosures are unaudited by the Company's statutory auditor.

Glossary

Alternative Investment Fund Managers Directive (AIFMD)

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

Compounding Hurdle

Prior to the payment of a performance fee, in addition to the Company's NAV being above the high watermark, the return on the gross proceeds from the IPO of the Company's has to exceed an annualised 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 the shareholders' assets is called 'gearing'. If the Company's assets grow shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

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

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

High Watermark

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

Leverage

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

NAV per Share (pence)

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

NAV Total Return

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

Off-taker

An offtake agreement is an agreement between a producer of a resource and a buyer of a resource (an 'off-taker') to purchase or sell portions of the producer's future production. An offtake agreement is normally negotiated prior to the construction of a facility, in order to secure a market for the future output of the facility.

Ongoing Charges

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

Share Price Total Return

Return to the investor on mid-market prices assuming that all dividends paid were reinvested.

How to Invest

Retail Investors Advised by IFAs

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

Investment Platforms

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

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

Capita Asset Services – Share Dealing Service

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

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

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

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

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

Risk warnings

- *Past performance is no guarantee of future performance.*
- *The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stockmarkets in which the Company invests and by the supply and demand for the Company's shares.*
- *As the shares in an investment trust are traded on a stockmarket, 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 Capital PLC will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday, 17 May 2017 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 2016
2. To re-elect Sir Ian Cheshire as a Director of the Company
3. To re-elect Duncan Budge as a Director of the Company
4. To re-elect Emma Howard Boyd as a Director of the Company
5. To re-elect Howard Pearce as a Director of the Company
6. To re-appoint Grant Thornton UK LLP as the Company's Auditors and to authorise the Audit Committee to determine their remuneration
7. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2016

Special Business

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

General Meetings

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

By order of the Board

Registered Office:
One Wood Street
London EC2V 7WS

Frostrow Capital LLP
Company Secretary
5 April 2017

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. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
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. To be valid any proxy form or other instrument appointing a proxy must be completed and signed and received by post or (during normal business hours only) by hand at Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 12 noon on 15 May 2017.
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 5.30 p.m. on Monday, 15 May 2017 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 4 April 2017 (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 4 April 2017 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. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

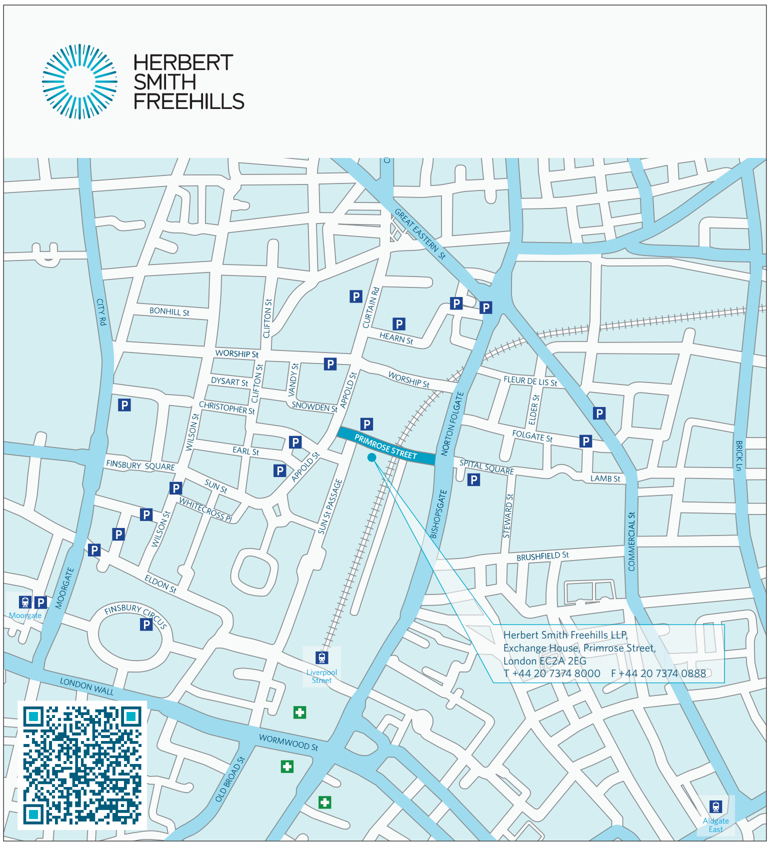
Notice of the Annual General Meeting

continued

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
15. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
16. Members who have appointed a proxy using the hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Capita Asset Services on 0871 664 0300 (calls cost 12p per minute plus network extras). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday.
17. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
18. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

    In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments (see page 73) then, subject to paragraph 4, the proxy appointment will remain valid.

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



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

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report
The Annual Report for the year ended 31 December 2016 will be presented to the Annual General Meeting (AGM). These financial statements accompany this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 5 – Re-election of Directors
Resolutions 2 to 5 deal with the re-election of each Director. Biographies of each of the Directors can be found on pages 22 and 23 of the Annual Report.

Resolution 6 – Re-appointment of Auditors and the determination of their remuneration
Resolution 6 relates to the re-appointment of Grant Thornton UK LLP as the Company's independent Auditors 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 Auditors' service agreement.

Resolution 7 – Directors' Remuneration
It is mandatory for all listed companies to put their report on Directors' remuneration to a shareholder vote every year and their report on the Directors' remuneration policy to a shareholder vote every three years. The remuneration policy will next be put to shareholders at the AGM in 2019.

The Directors' Remuneration Report is set out in full in the Annual Report on pages 38 and 39 and the Remuneration Policy Report is set out on page 40.

Resolution 8 – General Meetings
Special Resolution No. 8 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice.

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

Recommendation
The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 151,000 shares.

Company Information

Directors

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

Company Registration Number

09242421 (Registered in England and Wales)

The Company is an investment company as defined under Section 833 of the Companies Act 2006

The Company was incorporated on 30 September 2014. The Company was incorporated as BGT Capital PLC.

Website

Website: www.menhaden.com

Registered Office

One Wood Street
London EC2V 7WS

Alternative Investment Fund Manager, Company Secretary and Administrator

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

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

Menhaden Team

Menhaden Capital Management LLP
14 Curzon Street
London
W1J 5HN

Depositary

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

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Corporate Broker

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

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone (in UK): 0871 664 0300†
Telephone (from overseas): + 44 371 664 0300
E-mail: shareholderenquiries@capita.co.uk
Website: www.capitaassetservices.com

Please contact the Registrars if you have a query about a certificated holding in the Company's shares.

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

Share Price Listings

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

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

Identification Codes

Shares:	SEDOL	:	BZ0XWD0
	ISIN	:	GB00B20XWD04
	BLOOMBERG	:	MHN LN
	EPIC	:	MHN

Legal Entity Identifier 2138004NTCUZTHFWXS17

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, Capita Registrars, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 0800 731 1888.

Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

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Investment Companies

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