Menhaden Resource Efficiency

Menhaden Resource Efficiency PLC Annual Report for the year ended 31 December 2022

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Annual Report for the year ended 31 December 2022

Company Summary

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

Investment Objective

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

Management

The Company employs Frostrow Capital LLP ("Frostrow") as its Alternative Investment Fund Manager ("AIFM") to provide company management, company secretarial, administrative and marketing services. Frostrow and the Company have jointly appointed Menhaden Capital Management LLP as the Portfolio Manager. Further details of these appointments are provided on page 25.

Capital Structure

The Company's capital is composed solely of ordinary shares. Details are given on page 39 and in note 13 to the financial statements on page 79.

ISA Status

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

Retail Investors advised by IFAs

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

Menhaden

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

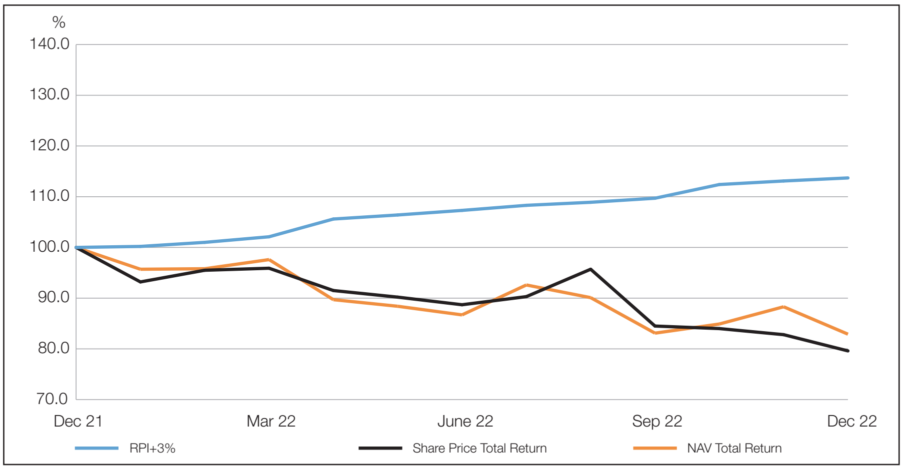
Company Performance

As at 31 December 2022	For the year ended 31 December 2022
129.8p NAV per share 2021: 155.7p	**(16.5)%** NAV per share (total return)* 2021: 17.3%
89.0p Share price 2021: 112.0p	**(20.3)%** Share price (total return)* 2021: 13.1%
31.4% Share price discount to NAV per share* 2021: 28.1%	**1.8%** Total ongoing charges* 2021: 1.8%

This report contains terminology that may be unfamiliar to some readers. The Glossary on pages 87 and 88 provides definitions for frequently used terms.

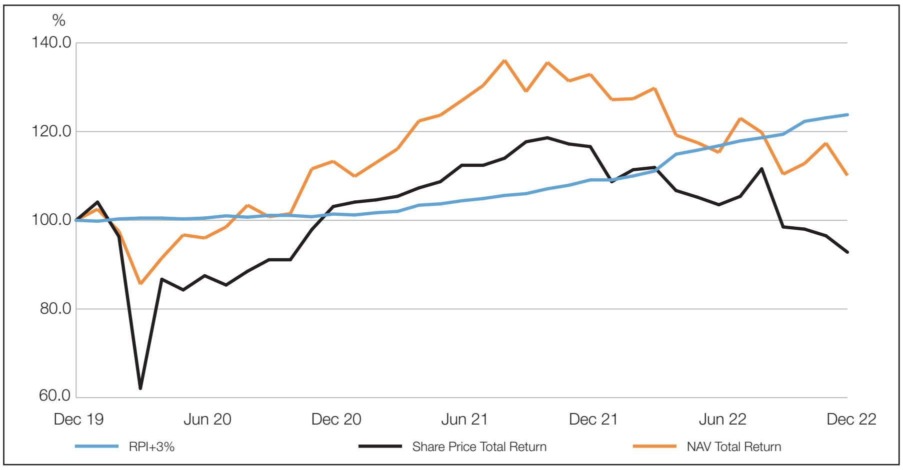
**Alternative performance measures ("APMs")*

Total Return Performance – One Year



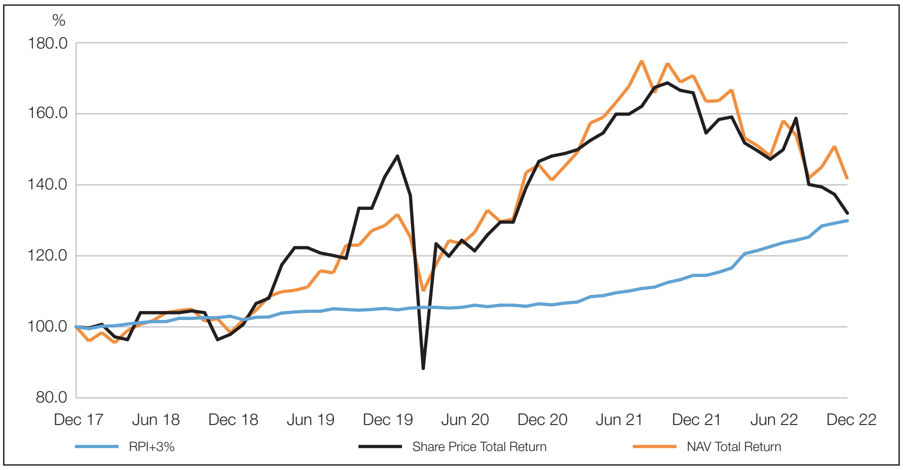
Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2021

Total Return Performance – Three Years



Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2019

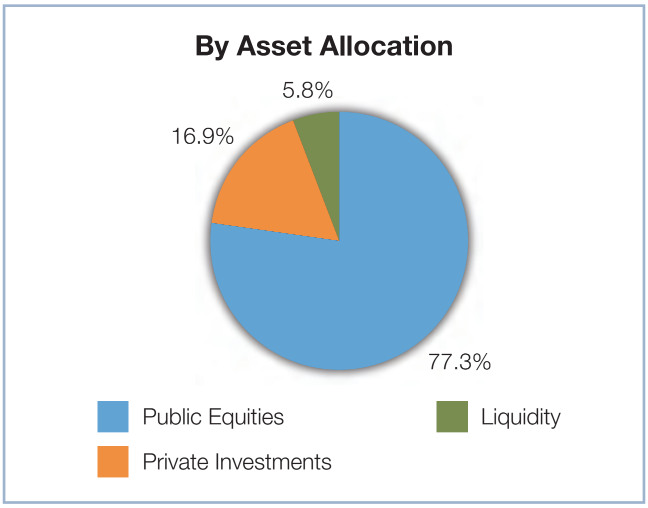
Total Return Performance – Five Years

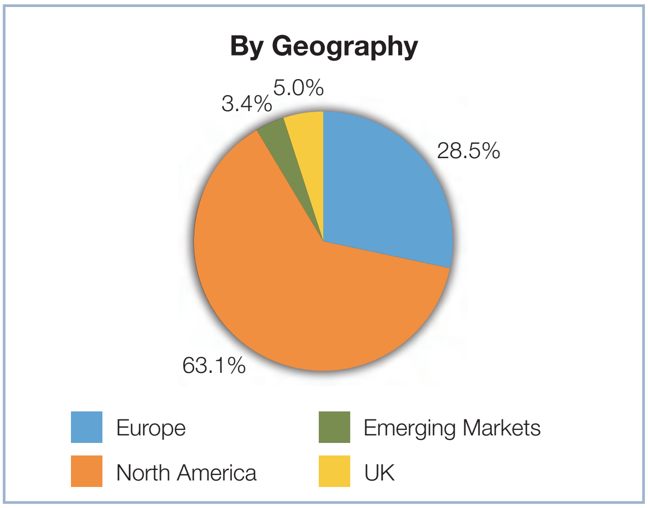


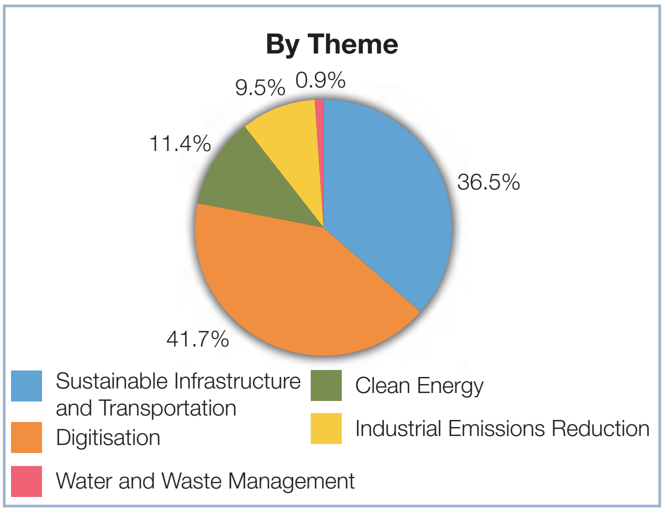
Source: Frostrow Capital LLP, Office for National Statistics
Rebased to 100 as at 31 December 2017

Portfolio Profile

Portfolio Distribution







Investment Themes

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

Chairman's Statement

Sir Ian Cheshire

Introduction

This is our eighth annual report since the launch of the Company in July 2015. It covers the year ended 31 December 2022. With the Russian invasion of Ukraine and lingering global economic impacts from the pandemic, this year has been especially challenging. It saw very significant market volatility, including in the UK, and a marked rotation away from risk assets into more defensive areas.

The year started with a backdrop of increasing inflation stemming from governments' and central banks' responses to Covid-19 on top of past quantitative easing ("QE"). This was subsequently amplified by global supply chain disruption, oil and gas price rises and the dislocations associated with the introduction of sanctions on Russia. This inevitably led to central banks trying to tame inflation with interest rate increases and reductions in QE and was accompanied by a switch in market sentiment away from tech and growth stocks.

In 2022 world equity markets lost almost 20% in US dollar terms. Virtually all UK listed investment trusts' share price discounts to NAV widened over the year and closed-ended investment vehicles collectively recorded their worst calendar year performance since 2008.

Financial Performance

The Company's net asset value ("NAV") per share total return* for the year was -16.5% (2021: +17.3%). This compares to the Company's longer-term performance benchmark, RPI+3%, which returned 13.7% (2021: 10.5%). The share price discount* to the NAV per share widened to 31.4% (2021: 28.1%) resulting in the share price total return* for the year being -20.3% (2021: +13.1%).

The Company has a sizable allocation to the digitisation (decarbonisation) theme and hence a large exposure to tech stocks, which were particularly hard hit by the global economic headwinds. The principal contributor to the Company's negative return was the underperformance of Alphabet, which was the largest position in the portfolio. Other negative contributors were Charter Communications, which was sold during the year, Amazon and Microsoft.

Shareholders will be aware that the Portfolio Manager may use currency forward contracts to reduce the volatility in returns related to currency movements arising from the portfolio's non-sterling denominated investments. As explained in the Portfolio Manager's review, beginning on page 14, for much of the year, the Company hedged approximately 50% of the Company's US dollar and euro exposures. As sterling weakened against the dollar and euro during the year, these hedges produced losses which partially offset the currency gains seen in the Company's non-sterling investments.

Positive performance came from the portfolio constituents in more defensive areas, such as infrastructure: Canadian National and Canadian Pacific Railways, and private investments John Laing and TCI Real Estate performed well. The largest positive contributor was X-ELIO, the Spanish solar energy developer.

Looking over a longer period, the Company's compound NAV performance over the last five years was +7.3% per annum (2021: +12.9% per annum), compared with 5.3% per annum (2021: 3.5% per annum) compound return on our benchmark of RPI+3%. Exceeding our benchmark is our long-term goal and we expect the Company to lead or lag it during shorter timeframes. Notwithstanding this, our 2022 performance is disappointing.

Our Portfolio Manager remains upbeat about the portfolio's quality and prospects and we are hopeful that by continuing to focus on business quality and maintaining a consistent risk profile, over the long term we will return to the benchmark beating trajectory we previously delivered.

Our Portfolio Manager has provided a full description of the development and financial performance of the portfolio over the year in their review on pages 14 to 18.

Environmental Performance

As in past years, we have integrated the Company's Environmental Impact Report within the annual report. It can be found on pages 19 to 23.

This year, disclosures from eight of the companies held in the portfolio showed, for the Company's share of these companies, 87.6 MWh of renewable energy generated.

*Alternative Performance Measure (see Glossary beginning on page 87)

Chairman's Statement
continued

Our Portfolio Manager continued its engagement programme during the year, seeking to move portfolio companies forward on environmental reporting and target setting. It identified where improvements should be encouraged using platforms such as the Climate Disclosure Project ("CDP"), Science Based Targets initiative ("SBTi") and MSCI. The Board is pleased to see that over half of the portfolio's listed holdings now have near-term emissions reduction targets independently validated by SBTi, meaning they have a clearly defined pathway to reduce their greenhouse gas ("GHG") emissions in line with the goals of the Paris Agreement.

Whilst some sectors in which the Company's portfolio is invested, such as transport and infrastructure, are associated with high emissions, our Portfolio Manager chooses to invest in certain companies therein that are using innovative, best practice solutions to become more climate friendly. For instance, rail transportation is the most energy efficient method for moving freight and in 2022 our Portfolio Manager added to the Company's existing portfolio holdings in Canadian Pacific Railway and Canadian National Railway, and reinvested in Union Pacific, one of America's largest rail freight providers and a leader in sustainable transportation.

E-commerce has been a key driver of decarbonisation and our Portfolio Manager initiated a new position in Amazon during the year. Amazon has become viewed as an essential utility for consumers and businesses. Importantly, the company's e-commerce and cloud computing businesses both generate significantly fewer carbon emissions than their legacy predecessors. Amazon has an ambition to reach 100% renewable energy usage across its business by 2025 and by the end of 2021 used 85% renewable energy. However, we recognise that Amazon needs to improve transparency and disclosures and that packaging waste is an issue. Our Portfolio Manager will engage on these matters.

The Company's Environmental Impact Report is also made available as a separate document on our website www.menhaden.com, which version includes methodological detail that is not included within this annual report.

Board Developments

The Board announced in January 2023 the appointment of Soraya Chabarek as a non-executive Director, with effect from 1 March 2023. She brings leadership experience in asset management and broad exposure to fund strategies including global macro, equities, emerging markets, credit and convertibles. I am confident she will be an asset to the Board and that with her experience she will greatly assist the Board's engagement with the Portfolio Manager on their investment strategy. In making this appointment the Board took due consideration of its balance of skills, experience, knowledge and diversity and we recommend that shareholders support her election at the forthcoming Annual General Meeting ("AGM").

At the same time as the Board announced Soraya's appointment it was also announced that I would be stepping aside from the role of Chairman of the Board in May, although I will continue to serve as a non-executive Director for the time being. I am pleased to announce that Howard Pearce will succeed me as Chairman and that Barbara Donoghue will become Chair of the Audit Committee, with effect from 16 May 2023.

Duncan Budge will retire from the Board at the conclusion of this year's AGM. I would like to take this opportunity to thank him for his invaluable contribution to the Board since the Company's launch.

The Board's planned refreshment process will continue and we anticipate the next rotation will occur in 2024. Establishing an annual cycle in this way should ensure an orderly Board succession in the future.

Share Price Discount to NAV

The Company's share price discount continues to be a matter that the Board monitors closely. As noted above, at the year-end, the discount to the NAV per share at which the Company's shares trade had widened to 31.4% (2021: 28.1%) and it widened further subsequently.

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

Share Buybacks

Subsequent to the year end, with the discount widening further, the Board decided it would be in shareholders' interest to instigate a modest programme of share buy backs. Doing so signals to the market the Board's confidence in the value of the Company's portfolio and also takes advantage of the accretion to NAV that buying back shares at a discount achieves. It is hoped that, together with the ongoing marketing strategy and the efforts of the Portfolio Manager to generate strong portfolio performance, this will influence investor sentiment and help to reduce the discount to the NAV per share at which the shares trade. To the date of this annual report 825,000 shares have been bought back at an average price of 94.25 pence per share.

The Board has not previously favoured share buy backs as a solution to the wide discount. The early indications are that the buybacks to date have provided some additional liquidity in the recent volatile market conditions. However, the Board will continue to monitor closely the impact of any future action bearing in mind market conditions, the Company's available liquid resources and the potential conflict between value additive share buybacks and the availability of attractive portfolio investment opportunities. Buybacks will remain at the discretion of the Board.

The Board is asking shareholders to renew the authority to repurchase the Company's shares in the market at the forthcoming Annual General Meeting ("AGM").

Annual General Meeting

The Company's eighth AGM will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on Wednesday, 21 June 2023 at 12 noon. The Notice convening the AGM together with explanations of the proposed resolutions can be found on pages 91 to 97.

The Board strongly encourages shareholders to register their votes online in advance of the meeting by visiting www.signalshares.com and following the instructions on the site. Appointing a proxy online will not restrict shareholders from attending the meeting in person should they wish to do so and will ensure their votes are counted if they are not able to attend. Shareholders are encouraged to consult the Company's website at www.menhaden.com for any late changes to the arrangements. Shareholders are invited to send any questions they may have to the Company Secretary by email to info@frostrow.com ahead of the meeting.

Dividend

The Company's dividend policy is that the Company will only pay dividends sufficient for it to maintain investment trust status. The revenue return for the year to 31 December 2022 means that a dividend must be paid to meet this requirement. Consequently, the Board is recommending to shareholders that a final dividend of 0.4p per share be declared in respect of the year ended 31 December 2022 and a corresponding resolution has been included in the Notice of Meeting for the AGM. If this resolution is passed, the dividend will be paid on 30 June 2023 to shareholders on the register on 2 June 2023. The shares will be marked ex-dividend on 1 June 2023.

Outlook

With no end in sight for the war in Ukraine and continued inflation, high interest rates and global supply chain disruption, there will likely be further market volatility in 2023.

Alphabet, Microsoft and Amazon have all announced cost cutting moves and we believe there is further scope for efficiency savings. With respect to inflation, pricing power is a key attribute that our Portfolio Manager looks for in investment propositions and our infrastructure investments, which make up some 37% of the portfolio, have natural defensive characteristics. In addition, our current share price discount provides an attractive entry point for new investors.

The Board continues to believe in the validity of the premise that the world and all businesses need to be more resource efficient, and so the Company's resource efficiency theme ought to provide long-term benefits for the portfolio and the Company.

Sir Ian Cheshire
Chairman
28 March 2023

Investment Objective and Policy

Investment Objective

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

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

Investment Policy

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

Asset Allocation

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

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

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

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

Geographic Focus

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

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

Investment Restrictions

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

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

Hedging

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

Cash Management

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

Borrowing and Leverage Limits

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

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

In addition, the Alternative Investment Fund Managers Regulations ("UK AIFMD") require the Company, which is an Alternative Investment Fund ("AIF") under the regulations, to set maximum leverage limits corresponding to the UK AIFMD leverage definition. The UK AIFMD defines leverage as any method by which the total exposure of an AIF is increased and provides two calculation methods (gross and commitment), as further explained in the Glossary beginning on page 87 and in the separate UK AIFMD periodic disclosures document on the Company's website.

Other Investment Restrictions

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

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

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

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

Investment Committee

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

Graham Thomas

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

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

Ben Goldsmith

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

Ben chairs the UK Conservative Environment Network, and is a Trustee of The Children's Investment Fund Foundation, a globally leading climate and health focused philanthropic foundation.

Luciano Suana

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

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

Investment Process

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

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

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

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

Investment Risk Approach

The Portfolio Manager uses bottom-up fundamental analysis to select companies with high quality cash flows that demonstrate persistent and predictable performance due to successful business models. Such companies typically exhibit high profitability and pricing power and have often won commanding positions in their respective competitive landscapes. Together, these characteristics serve to mitigate external risks such as those associated with technological, regulatory and climate change. The management team continuously monitors the impact of these risks on company terminal values.

This approach precludes the Portfolio Manager from investing in highly leveraged companies or those in the early stage of development. It limits private equity investments to those with experienced sponsors who enjoy a solid track record.

Within this framework, the Portfolio Manager will run a concentrated portfolio of 15 to 30 investments, predominantly in developed markets. Position sizing takes place within stated limits and is dependent on the Portfolio Manager's level of conviction regarding the prospects of each individual company.

Portfolio turnover is moderate, in keeping with the longer hold periods inherent in this approach.

The Portfolio Manager uses currency forward contracts to reduce the volatility in returns arising from currency movements associated with the portfolio’s non-sterling denominated investments. They typically use simple currency forward contracts with three to six month terms to hedge approximately one half of the Company’s US dollar and euro exposures. These instruments are rolled on maturity and the nominal value of the hedging program is adjusted as required.

Investment Committee

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

Investment Network

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

Portfolio

Investments held as at 31 December 2022

Investment	Country	Fair Value £'000	% of Total Net Assets
Alphabet	United States	22,369	21.5
Microsoft	United States	11,563	11.1
X-ELIO*[1]	Spain	10,672	10.3
Canadian Pacific Railway	Canada	10,045	9.7
Safran	France	8,921	8.6
Canadian National Railway	Canada	7,308	7.0
VINCI	France	6,617	6.4
John Laing Group*[2]	UK	4,646	4.5
Amazon	United States	3,979	3.8
Ocean Wilsons Holdings	Bermuda	3,204	3.1
Ten Largest Investments		**89,324**	**86.0**
TCI Real Estate*	United States	1,546	1.5
Union Pacific	United States	929	0.9
Waste Management	United States	822	0.8
ASML Holding	Netherlands	536	0.5
KLA	United States	407	0.4
Lam Research	United States	245	0.2
Total Investments		**93,809**	**90.3**
Net Current Assets (including cash)		**10,022**	**9.7**
Total Net Assets		**103,831**	**100.0**

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

Business Description	Investment Theme
Delivers a range of internet-based products and services for users and advertisers, powered by renewable energy, with the group being the largest corporate buyer of renewable power worldwide	Digitisation
Provides cloud infrastructure and software services which deliver energy efficiency savings for customers versus legacy solutions	Digitisation
Develops and operates solar energy assets	Clean energy
Owns and operates fuel-efficient freight railways in Canada and the USA	Sustainable infrastructure and transportation
Designs, manufactures and services next generation aircraft engines which offer significant fuel efficiency savings	Industrial emissions reduction
Operates rail freight services across North America, which represent the most environmentally friendly way to transport freight over land	Sustainable infrastructure and transportation
Builds and operates energy efficient critical infrastructure assets	Sustainable infrastructure and transportation
Portfolio of mostly renewable rail and social infrastructure assets	Sustainable infrastructure and transportation
An energy efficient ecommerce and cloud computing business aiming to use only renewable energy by 2030	Digitisation
Operates ports and provides (lower climate impact) maritime services in Brazil	Sustainable infrastructure and transportation
Invests in energy-efficient real estate projects	Sustainable infrastructure and transportation
Provides fuel-efficient rail freight services across the USA	Sustainable infrastructure and transportation
Provides waste management and environmental services in North America	Water and waste management
Develops, manufactures and services advanced lithography systems used to produce more energy efficient semiconductor chips	Digitisation
Develops, manufactures and services inspection and metrology equipment used to increase the efficiency of semiconductor manufacturing	Digitisation
Develops, manufactures and services etching and deposition equipment used to produce more energy efficient semiconductor chips	Digitisation

Portfolio Manager's Review

During 2022, the Company's NAV per share decreased from 155.7p to 129.8p. This represents a total return of -16.5% and compares to the benchmark return of 13.7%. The Company's share price traded at a 31.4% discount to NAV as at 31 December 2022, having widened from 28.1% at the end of 2021. The contributions to the -16.5% NAV per share total return over the period are summarised below:

Asset Category	31 December 2022 % of NAV	Contribution %
Public Equities	74.1	(12.9)
Private Investments	16.2	3.4
Cash	5.9	–
Foreign Exchange Forwards	4.0	(6.4)
Performance Fee and Other Debtors and Creditors	(0.2)	1.2
Dividend Paid		(0.1)
Expenses		(1.8)
Net Assets	**100.0**	
Net Return		**(16.6)**
Reinvested Dividend		0.1
Total Return		**(16.5)**

The spectre of inflation dominated the narrative throughout the year, with the Federal Reserve and other central banks progressively tightening financial conditions. Rising interest rates and higher prices result in a decline in consumers' discretionary incomes, raising fears that the global economy may be on its way into a recession. Equity markets anticipated this slowdown and declined significantly, with major indices trading around bear market territory.

The portfolio continues to have a high weighting in quoted equities, with Alphabet and Microsoft remaining the largest positions. The publicly listed infrastructure holdings (including the North American railroads, Ocean Wilsons and VINCI) performed relatively well in the period. The essential nature of their services, combined with a lack of alternatives and the relevant regulatory frameworks, enable these companies to raise prices with inflation. Within the private portfolio, the value of John Laing was marked up in line with the latest manager's valuation, TCI Real Estate Partners Fund III returned the capital from two loans, which were repaid, and a £2 million distribution was received from X-ELIO.

Investment performance benefited from the depreciation of sterling, although this was partly offset by our forward currency contract hedges. Performance suffered from short lived sterling volatility in late September when two currency forward contracts matured, realising a significant loss. Subsequently, there were significant unrealised gains on the hedging program at the year end.

Key investment decisions during the period included the exit from Charter Communications and redeploying most of the proceeds by adding to Canadian National Railway, reopening a position in Union Pacific and initiating a new position in Amazon. After the year end, we opted to reduce our position in Alphabet and reinitiate a position in European aircraft manufacturer, Airbus, which we have owned previously.

Our private investment activity was limited, with no new transactions in the period. However, we were pleased to make a new commitment to the next vintage of the TCI Real Estate Partners strategy in March, following the year end.

Quoted Equities

The portfolio of quoted equities represented 74.1% of NAV at 31 December 2022, and delivered a total return of -17.3% over the period, detracting 12.9% from the NAV.

Investment	Returns %	Contribution to NAV %
Canadian Pacific	4.1	1.3
Safran	8.5	0.9
Canadian National	(3.6)	0.6
VINCI SA	3.1	0.5
Waste Management Inc	(8.1)	–
Ocean Wilsons Holdings	1.4	–
KLA Corp	(24.8)	–
Union Pacific	(22.0)	(0.1)
LAM Research Corp	(55.2)	(0.2)
ASML Holding	(38.1)	(0.2)
Microsoft Corp	(29.6)	(2.3)
Charter Communications	(16.4)	(2.4)
Amazon	(49.8)	(2.6)
Alphabet	(40.4)	(8.5)

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

The Canadian railroads, **Canadian Pacific Railway** and **Canadian National Railway**, were two of the portfolio's best performers, with both companies' strong competitive positions enabling them to raise prices in order to counter significant inflationary cost pressures. We also opted to reopen a small position in US freight railroad peer, **Union Pacific**, in April. Rail remains the most environmentally friendly way of transporting freight over land, with current locomotives four times more fuel efficient than trucking on a per unit basis.

Canadian Pacific Railway expects to complete its acquisition of Kansas City Southern in the first quarter of 2023. CEO Keith Creel and the management team appear to be increasingly confident about their ability to drive meaningful synergies from the combined entity, with significant opportunities to grow volumes by converting road freight to new rail services between Mexico, Texas and the Upper Midwest. Once the transaction is completed, we expect Canadian Pacific Railway to be the fastest growing of all the North American railroads.

Canadian National Railway CEO, Tracy Robinson, has been at the helm for over one year now and appears to be making progress in her turnaround efforts. She is focused on improving profitability by raising asset utilisation through improving the velocity of containers on the company's network. We continue to believe that her frequently repeated commitment to capital efficient growth should help to drive good returns for shareholders in the coming years.

French aircraft engine manufacturer, **Safran**, continues to lead the way towards the decarbonisation of the aviation sector and recently had its emission reduction targets independently approved by the Science Based Targets initiative (SBTi). These include targets to reduce Scope 1 and 2 emissions by 50% by 2030 and reduce Scope 3 emissions by 42.5% by 2035 (vs 2018). Scope 1 emissions are released directly by a business, Scope 2 emissions are indirectly released from energy purchased by a business and Scope 3 are a consequence of the business' activities, including the use of its products by customers. Safran benefited from the commercial aviation industry's accelerating recovery through the year, with China's reopening in January 2023 set to provide a further boost. Flight cycles are the key driver of the company's financial performance, with most of its profits coming from aftermarket sales of spare parts.

French infrastructure group, **VINCI**, proved resilient. The company has a strong track record of building and operating critical infrastructure assets around the world and is currently transforming its business, with the aim of achieving a 40% reduction in carbon emissions by 2030. We believe the company is extremely well placed for an inflationary environment, with its infrastructure concessions being government authorised monopolies, which benefit from inflation-linked pricing power. The management team continues to deploy capital in a measured way, with an increasing focus on share repurchases. Recent investments include bolt on acquisitions to the company's Energies business and stakes in airport concessions in Mexico and Cape Verde.

We believe **Waste Management** possesses many of the same characteristics as the Company's listed infrastructure holdings, with the shares performing similarly. The company provides an essential service and benefits from a high proportion of annuity-like revenue streams, with the cost of its services representing a very small portion (circa 0.5%) of customers' total expenses. Whilst the management team has used pricing to mitigate inflationary pressures on costs, it is increasingly focused on leveraging automation in order to manage operating expenses. The company is currently aiming to reduce its labour requirements by 5,000-7,000 roles, equivalent to more than 10% of headcount, over the coming years. The company is also continuing its strategy of increasingly harnessing the methane gas emitted from its landfill facilities by transforming it into renewable natural gas, with 11 of 17 planned new facilities expected to be onstream in 2024.

Holding company, **Ocean Wilsons**, held its value in difficult markets. The company comprises of a controlling interest in Brazilian port operator, Wilson Sons, and a diversified investment portfolio. Wilson Sons' asset base enjoys high barriers to entry and substantial operating leverage to growth in Brazil's international trade shipping sector. Shipping has the lowest climate impact of any freight method, on a per unit basis, producing between 10-40 grams of CO^2 per metric ton of freight per km of transportation, which is around half that even of rail freight. We were pleased to see Wilson Sons update its capital allocation strategy, with the announcement of a new share repurchase facility, which should be fully used by mid-2023. Ocean Wilsons enables us to obtain exposure to Wilson Sons at a discount of approximately 80%, based on the current investment portfolio valuation. This

Portfolio Manager's Review

continued

represents a markedly asymmetric risk-reward profile, whilst providing a dividend yield of circa 6%.

Semiconductor capital equipment companies, **ASML**, **Lam Research** and **KLA**, struggled due to fears of the full impact of an economic slowdown and potential industry overcapacity. Whilst it is very difficult to accurately predict the short term, we believe the fundamental drivers of semiconductor demand are very clear: cloud computing, artificial intelligence, 5G, the Internet of Things ("IoT") and the digitisation of the automotive industry. Each company dominates its respective niche in the value chain and plays a critical role in helping the wider industry both maximise semiconductor production from finite resources and develop and produce more advanced and energy efficient chips. We still expect them all to have very bright futures and have been pleased to see their management teams taking advantage of the lower share prices by accelerating their respective share buyback programs.

Shares in **Microsoft** fell significantly over the year, with the company navigating a weak PC market and Cloud growth expected to slow in 2023. Despite the negative share price performance, we remain optimistic about the company's prospects. The group remains the key technology partner for all enterprises and its software products are ubiquitous. The company still expects to grow revenues at a double digit rate in its 2023 financial year, driven by its Azure Cloud business and Office 365, which now has approximately 350 million paying users. The management team is also seeking to improve future profitability with workforce reductions of 10,000 employees (circa 5% of total). Longer term, CEO Satya Nadella expects IT spending to increase from 5% to 10% of GDP over the current decade, which we believe will enable the company to generate robust earnings growth going forwards. Importantly, Microsoft aims to operate on carbon-free energy everywhere, at all times, by 2030. Furthermore, the company wants to be carbon negative in the same timeframe and to have removed all carbon dioxide it has emitted since its founding by 2050.

Alphabet remains the Company's largest holding and was the most significant detractor to investment performance. We continue to believe the shares offer exceptional value relative to the company's core earnings power for a business of such quality. In our view the shares fell during the year primarily on weaker consumer discretionary spending, which negatively affected both the company and the wider digital advertising industry. Fundamentally, advertising remains a cyclical industry and Google is now so large that it cannot offset slower market growth through market share gains. We believe that growth rates will reaccelerate once we exit this economic slowdown. We also believe that the company has significant scope to improve profitability, with headcount more than doubling to circa 187,000 over the last five years and an average employee salary significantly above peers. In our view the recent decision to cut 12,000 jobs is the right way forward, but more can and should be done.

We continue to believe that the ongoing growth of digital advertising, successful scaling of the Google Cloud business and improving capital allocation will continue to drive significant earnings growth in the years ahead. Importantly, Alphabet continues to work towards its sustainability targets. The company has pledged to operate on carbon-free energy everywhere, at all times, by 2030 and to replenish 120% of the water it consumes across its datacentres and offices.

After the year end, we opted to reduce our position in Alphabet in February. Whilst we believe that Alphabet is well positioned to counter the rising competition in Search, following Microsoft's launch of its new Bing search engine, we realise that the range of outcomes has widened. We opted to realize some profit on our original position, thereby resulting in a reduction in the overall investment position by approximately one half.

We fully exited our position in Charter Communications in April before the company reported its first quarter results, with most of the sales executed at the start of that month. We had thought that the company's aggressively priced bundled broadband and mobile product would help it to continue to raise penetration across its footprint. Whilst this may prove correct in time, the company is undeniably facing increasing competition from new fibre rollouts and wireless carriers have enjoyed notable early success in their fixed wireless efforts. Consequently, we believed the range of outcomes had widened and decided to pursue other opportunities that we believed offered a better balance of risk and reward. The shares declined by 27% from the date of our exit to year end.

We chose to redeploy most of the proceeds by incrementally adding to our holding in Canadian National Railway, reopening a small position in US freight railroad, Union Pacific, as mentioned above, and initiating a new position in **Amazon**. In our view Amazon has effectively become an essential utility, on which consumers and businesses are increasingly dependent. Importantly, the company's ecommerce and cloud computing businesses both generate significantly fewer carbon emissions than their legacy predecessors. A recent Oliver Wyman led study concluded that ecommerce generated 40-65% fewer emissions than physical retail stores and a study by 451 Research showed that AWS's infrastructure was 3.6 times more energy efficient than the median enterprise data centre in the United States. Furthermore, Amazon is aiming to only use renewable energy by 2030 and then operate on a net zero carbon basis by 2040.

With the benefit of hindsight, we could have chosen a better moment to initiate our position. The company was facing a softening ecommerce outlook and higher costs (including labour, fuel and freight). These cost pressures appear to be easing and Amazon also recently announced plans to reduce its corporate headcount by 18,000 (circa 6% of the corporate total). We believe these measures should help the retail business' operating margin to recover. This, combined with Amazon Web Services growth and falling capital intensity should underpin strong free cash flow growth and hopefully good returns going forwards. Fortunately, the size of the position means that the decline in NAV was limited to 2.6% in the period.

Following the year end and the reduction of our Alphabet holding, we chose to start a new position in Airbus, the European aircraft manufacturer. Whilst China's reopening removed the last hurdle to air travel's full recovery, the industry's need to decarbonise and airlines' fleet renewal requirements remain unchanged. By upgrading the global fleet to Airbus' latest generation aircraft offer, the industry could reduce carbon emissions by 20-30%. Furthermore, Airbus' aircraft are currently certified to operate on 50% sustainable aviation fuel ("SAF"), with a target to reach 100% by the end of the decade. SAF offers the opportunity to reduce emissions by up to 85%, according to the company. Airbus recently received approval from the Science Based Targets initiative (SBTi) for its greenhouse gas emissions near-term reduction targets, which include plans to reduce Scope 1 & 2 emissions by 63% by 2030 and reduce Scope 3 emissions by 46% by 2035. We previously held the company's shares but exited in April 2021, believing that the post Covid recovery would take significantly longer than implied by the price.

Private Investments

The portfolio of private investments represented 16.2% of the Company's total NAV as at 31 December 2022, and delivered total return of +33.2% over the period, adding 3.4% to our NAV.

Investment	Returns %	Contribution to NAV %
X-ELIO	12.9	2.0
John Laing	26.5	0.8
TCI Real Estate	17.6	0.4
CGE Investments	–	0.2

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

Spanish solar developer, **X-ELIO**, continues to execute on its development pipeline with several notable milestones this year. The company completed the Blue Grass Solar Farm development in Australia, started several new projects in Spain and was awarded 15MW in Japan's first feed-in-premium auction (renewable energy source producers receive a premium on top of the market price of their electricity production). We also received a £2 million cash distribution from the company at the end of the year, which reduced the value of our holding to 10.3% of our NAV at the year end.

John Laing continues to operate its portfolio of infrastructure assets and deploy capital in a conservative fashion. The company works to mitigate the environmental impact of its operations on an asset by asset basis and is seeking to achieve a net zero transition for its direct operations by 2050 or before. The valuation was marked up in line with the manager's latest valuation, with the uplift being primarily driven by gains on currency translation. KKR continues to overhaul the company's management team, with a search currently underway for a new CEO. New investments included follow on deals in Brigid (UK retirement accommodation) and two electric bus concessions in Bogotá, Colombia. John Laing raised an additional £1.1 billion of equity towards the end of the year in order to fund the purchase of three Irish infrastructure assets from AMP Capital. We opted to not participate because we believed other opportunities offered a better balance between risk and reward.

Portfolio Manager's Review

continued

TCI Real Estate Partners Fund III currently comprises three loans to separate real estate developments in the United States that possess strong resource efficiency credentials. They are first mortgages and have low loan-to-value ratios (<60%). Whilst the fund did not manage to commit the level of capital we originally hoped, investment returns have remained in line with expectations. During the year two outstanding loans (Four Seasons, New Orleans and Four Seasons, Nashville) were fully repaid. The Fund has continued to draw down from its remaining commitment (circa US$4.5 million) in line with the schedules of its existing loans. We expect the last loan to be repaid in 2026.

Foreign Exchange ("FX") Hedges

The sole aim of using currency forward contracts is to reduce the volatility in returns arising from currency movements associated with the portfolio's non-sterling denominated investments. We typically use simple currency forward contracts with three to six month terms to hedge approximately one half of the Company's US dollar and euro exposures. These instruments are rolled on maturity and the nominal value of the hedging program may be adjusted as required.

Whilst our portfolio benefitted from sterling depreciation over the year, as our euro and US dollar assets increased in sterling terms, the impact was partly offset by our currency forward hedges. The Company suffered from sterling volatility in late September, following the new UK government's mini-budget, when we had to settle two maturing currency forward contracts at a significant loss of £8.7 million. In total, the Company paid £12.5 million on currency forward contracts during the year. With the nominal value of the currency forward contracts having increased to over 50% of euro and US dollar exposures, given the fall in the portfolio value, we opted to reduce the nominal amount of the new currency forward contracts in order to revert to hedging approximately half of the currency exposure. Following the rally in sterling, the current currency forward contracts had an unrealised gain of £4.2 million at the year end and this, further improved to £4.8 million as at the approval date of this Annual Report. The next settlement date for the current currency forward contracts is 31 March 2023.

Outlook

The Federal Reserve appears committed to tighter financial conditions and higher interest rates in order to curb inflation, although the pace of hikes has slowed markedly. Demand appears to be weakening, with corporates attempting to right size their businesses and announcing layoffs. We do not attempt to try and forecast the depth of any possible recession. We focus on investments which require us to make as few predictions as possible. We believe our criteria of resource efficiency, quality and value should leave the portfolio well placed to generate persistently superior returns for the consistent risk profile we have adopted and which is set out in this report. The presence of better opportunities within public markets has limited our private investment activity over the past few years. We believe that the change in financial conditions may be starting to change this situation and we continue to search diligently for suitable private investments. We will only make private investments when they offer a more attractive balance between risk and reward compared to public markets. In this vein, we were pleased to make a new commitment (US$25 million) to the TCI Real Estate Partners (TCI REP) Fund IV in March, after the year end. This fund will follow the same strategy as TCI REP Fund III, which we previously invested in, and we would expect our maximum cash exposure to be around 70% of the commitment.

Following this year's negative returns, the Company's net asset value has now compounded at 7.3% annually, after fees, over the last five years. Whilst we are not satisfied with this level of performance, we are optimistic that the current valuations within the portfolio offer the opportunity for improved returns going forwards. We expect the elevated cash balance, following the reduction of our position in Alphabet, to reduce as we gradually deploy it into investments in the coming months.

	NAV per share pence
31 December 2017	92.1
31 December 2022	131.1*
Annualised Net Return	7.3%

* adjusted for cumulative dividend reinvestments.

Menhaden Capital Management LLP
Portfolio Manager
28 March 2023

Environmental Impact Statement

Foreword

Last year the conflict in Ukraine, and the rising inflation and soaring energy prices that followed, emphasised just how important resource efficiency – the central theme of our portfolio approach – is to the ongoing success of many businesses and economies across the world. In 2022 we also saw an uptick in the frequency and ferocity of extreme weather events, demonstrating the urgent need to build climate resilience within our current systems.

At Menhaden Capital Management LLP we continue to drive forward our objective to generate long-term outperformance for the Company's shareholders by investing in businesses that are demonstrably delivering, or benefitting significantly from, the efficient and responsible use of energy and other resources.

The companies we invest in continue to lead in their respective fields. Examples from the past year include Amazon's increased investment in clean energy projects, Waste Management's preservation of the natural environment, and Alphabet's initiatives to promote more circular consumption.

We also continued our engagement programme throughout 2022 and are pleased to see that over half of the listed holdings in the portfolio now have near-term emissions reduction targets independently validated by the Science Based Targets initiative ("SBTi"), meaning they have a clearly defined pathway to reduce their GHG emissions in line with the goals of the Paris Agreement.

In addition to being an investor signatory to the Climate Disclosure Project ("CDP") and other initiatives we were also proud to become signatories to the *Finance Sector Commitment to Eliminate Commodity-Driven Deforestation*, cementing our commitment to biodiversity and the protection of the Earth's precious resources.

The portfolio continues to include three unlisted private investments, global renewable energy developer, X-ELIO, TCI Real Estate, a fund that only invests in highly energy-efficient buildings, and responsible infrastructure investor, John Laing. The positions in these holdings continue to help differentiate the Company from other globally invested investment companies.

The Company's investment performance over the past year was impacted by the volatility within the markets and its net asset value total return was -16.5% as of the end of 2022. Despite this, we still firmly believe there is value in applying an environmental mindset to investment decision-making and will continue with this approach into the future.

Ben Goldsmith
CEO, Menhaden Capital Management LLP

About this impact statement

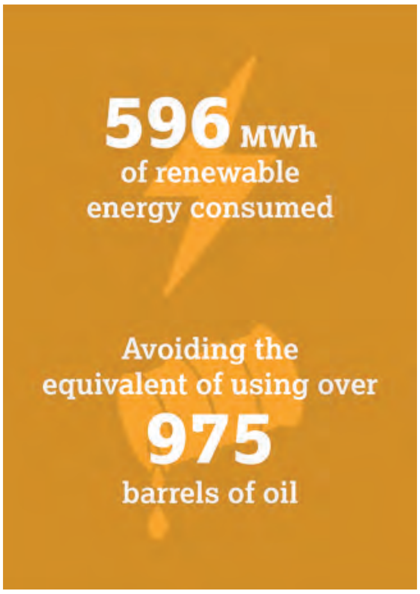
In this Impact Statement we attempt to show how Menhaden Resource Efficiency PLC's holdings are acting to reduce negative environmental impacts and generate positive ones. In particular we publish data on the amount of renewable energy consumed, renewable energy generated and total scope 1 and scope 2 (location based) emissions. Data is based on those companies that reported to CDP, with the addition of X-ELIO, for the time-period 1 January to 31 December 2021. Exceptions and full details are available in the methodology in the Appendix to the separate version of this Impact Statement on the Company's website www.menhaden.com.

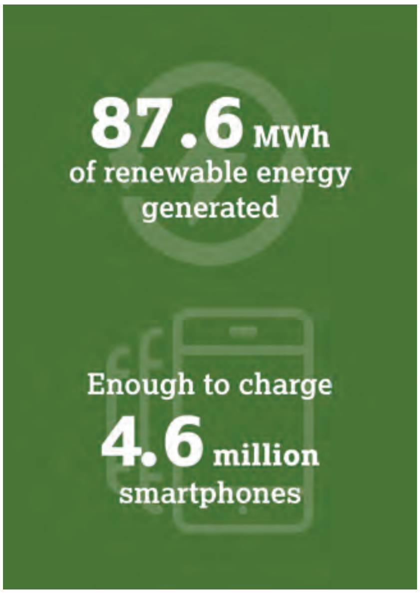
Disclosures from eight of the companies in the portfolio show that 87.6 MWh of renewable energy was generated by the portfolio's share of these companies.

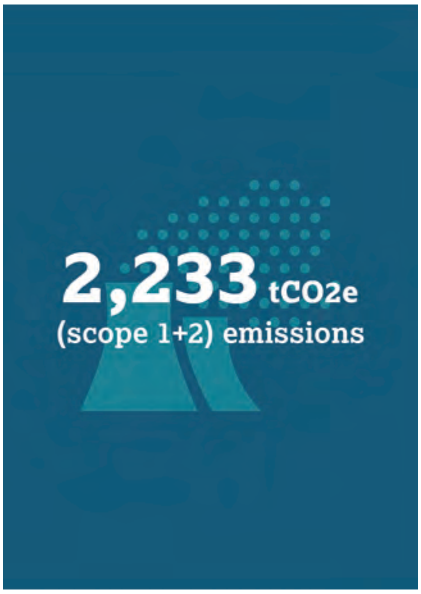
Environmental Impact Statement
continued

Impact Data

Our share of the portfolio companies was responsible for:







Please see appendix to the web document for data sources and methodology.

Our approach and developments in 2022

Throughout 2022 we continued to apply our fundamental, research-oriented approach and there was relatively little turnover in the Company's portfolio holdings.

We sold the portfolio's holding in Charter Communications due to the company facing increased competition and pursued other opportunities in the technology and digitisation space to achieve a better balance of risk and reward.

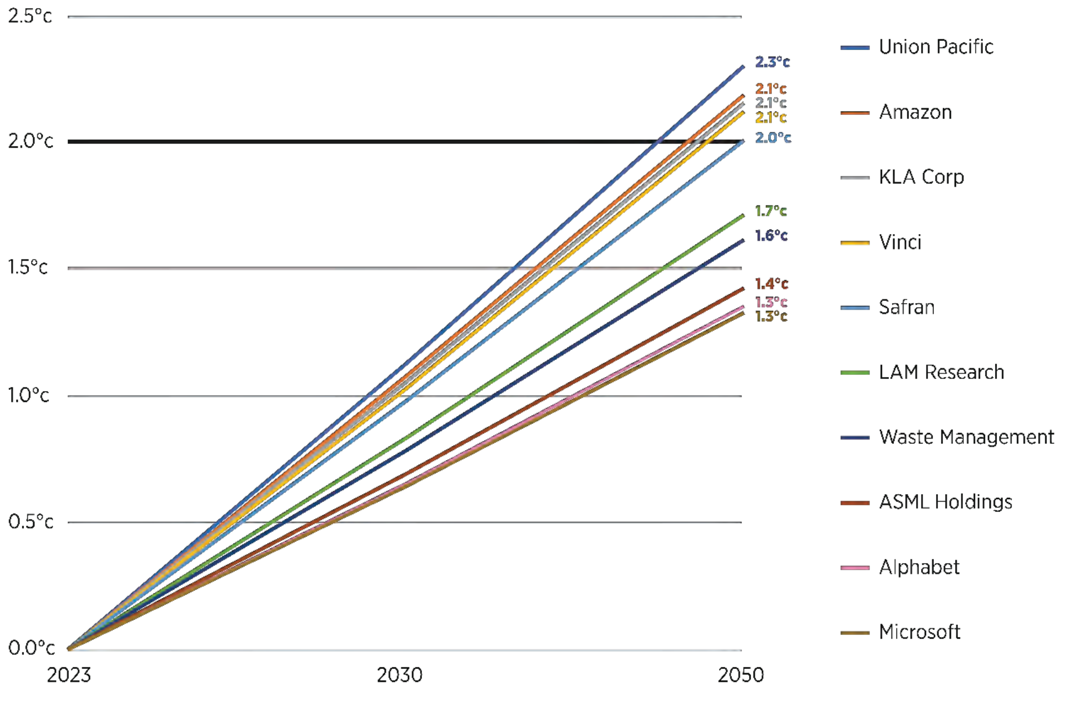
At Menhaden Capital Management LLP, we recognise some sectors in which we invest the Company's portfolio, such as transport and infrastructure, may be considered to be significant contributors to climate change. But rather than avoid these sectors entirely, we choose to invest in the companies using innovative, best practice solutions to align their businesses with climate friendly practices. We believe this can be both a proxy for strong overall management performance and a way to drive wider improvements within their respective sectors. Rail transportation is the most energy efficient method for moving freight and in 2022 we added to the existing holdings in Canadian Pacific Railway and Canadian National Railway, and reinvested in Union Pacific, one of America's largest rail freight providers and a leader in sustainable transportation. Union Pacific has demonstrated a strong commitment to reaching its ESG goals by assembling the world's largest carrier-owned fleet of battery electric locomotives, reducing its fuel consumption for the third year in a row and increasing its use of bio and renewable diesel fuel.

E-commerce has been a key driver of decarbonisation, with research firm Oliver Wyman concluding that e-commerce generated 40-65% fewer emissions than physical retail stores. It is in this context that in 2022 we decided to invest in Amazon, the world's leading online retailer. We believe Amazon has become an essential utility on which both consumers and businesses rely, and its e-commerce and cloud computing businesses generate significantly lower carbon emissions than their legacy predecessors.

Amazon has some way to go in improving its transparency and disclosures and we will use our stewardship programme to engage with the company on its approach to packaging to encourage greater re-use and recycling to reduce environmental impacts. Nonetheless we admire its ambition to use 100% renewable energy across its business by 2025 and the progress made so far. By the end of 2021, Amazon had reached 85% renewable energy usage across its business by using a total of 379 renewable energy projects across 21 countries.

To manage risks associated with climate change we also keep track of whether the portfolio companies' emissions reduction plans are aligned with what climate science purports is required to fulfil the Paris Agreement. As shown in Figure 1 we are encouraged that the majority of the listed equity holdings are on a pathway for contributing to a 2°C or lower limit by 2050, and we will continue to stress through our engagement programme the importance of managing this risk to those companies who are currently misaligned.

Figure 1: Portfolio company alignment with Paris Agreement goals



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

According to MSCI's implied temperature rise data Union Pacific, Amazon, KLA and VINCI are not aligned with a 2°C pathway and we will continue to engage with them on this in 2023.

Environmental Impact Statement
continued

Engaging on nature loss

Nature loss and the preservation of the natural environment is a clear systemic financial risk and the new Global Biodiversity Framework agreed at the UN-convened COP15 conference late last year was very welcome. Like many others, Menhaden Capital Management LLP believes that biodiversity loss is becoming an increasingly important material risk and in 2022 we became a signatory to the *Finance Sector Commitment to Eliminate Commodity-Driven Deforestation,* a commitment by financial institutions to eliminate agricultural commodity-driven deforestation risks in their investment and lending portfolios by 2025.

We recently wrote to the companies in the portfolio to raise this important issue and are pleased to see on-the-ground action from some investee companies to protect and improve nature and wildlife, and the services they provide such as clean air, clean water and fertile soil.

Safran is working with its operations and supply chain to reduce impacts on natural ecosystems. This includes limiting the use of pollutants, reducing water consumption and protecting natural spaces within its facilities. Several of Safran's facilities have developed more targeted practices, for example Safran Aero Boosters has deployed a biodiversity plan across its Belgian facilities that focuses on the creation of ecological corridors. The company also launched a qualitative study at the end of 2022 to assess the impact of its operations on the local environment and will use this to inform its biodiversity strategy and plan in 2023.

Google's real estate and ecology teams are working to re-establish critical habitats in Silicon Valley, such as oak woodlands and willow groves. The restoration of these native environments is helping build resilience against the region's extreme climate events. For example, oak trees are drought-tolerant, fire-resistant and efficient at removing air pollution and absorbing carbon dioxide from the atmosphere, as well as supporting thousands of plant, insect, bird and mammal species.

Waste Management Ltd has protected thousands of acres of land for wildlife through its partnership with the Wildlife Habitat Council ("WHC") and has transformed landfills and smaller buffer zones at transfer stations and recycling facilities into certified wildlife habitats, currently managing over 13,700 acres for wildlife preservation. The company promotes biodiversity and environmental education at over 70 WHC-certified sites across North America and has over 170 on-the-ground projects promoting habitat and species education.

Following the agreement of the Global Biodiversity Framework in December, we wrote to all portfolio companies requesting information on how they assess biodiversity risks and negative impacts on nature, what practical actions they are currently taking to minimise negative impacts, their timelines to start this process and target dates to complete these actions. We hope this will encourage them to get ahead of the curve in biodiversity reporting as we believe failing to do so will leave them exposed to a myriad of regulatory risks in light of the new global agreement.

Active ownership: Using our influence to manage climate and biodiversity risk

As a responsible steward of shareholders' capital, Menhaden Capital Management LLP is committed to using its voice to foster best practice, both by engaging directly with companies in the portfolio and working in collaboration with other investors and initiatives.

Stewardship is fully integrated into our investment process and we consider it an important aspect of risk management. We take an active approach to voting the shares of investee companies on behalf of the Company and endeavour to exercise voting rights in line with our investment objectives.

In 2022 we repeated our engagement programme to move the portfolio's holdings forward on environmental reporting and target setting. Using platforms such as the CDP, SBTi and MSCI, we identified the leaders and have focused our attention on the laggards.

We are pleased that over half of the equity holdings have now set near term targets independently validated by the SBTi, meaning they have a clearly defined pathway to reduce their GHG emissions in line with the goals of the Paris Agreement. We were also pleased to see that two of the investee companies, Canadian National Railway and Microsoft, have committed to the SBTi's net-zero standard, the world's first science-based certification of net-zero targets in line with the Paris Agreement's goal of keeping planetary warming to 1.5°C.

In 2022 we engaged with semi-conductor producers ASML and LAM Research as MSCI's implied temperature rise showed they were strongly misaligned with global temperature goals. However, both companies' ratings improved and are now aligned with the goals of the Paris Agreement. It was also encouraging to see ASML improve its CDP score from a 'C' to a 'B' in 2022, and to see LAM set an emissions reduction target validated by the SBTi.

Following engagement over the last few years, we were encouraged to see that Ocean Wilsons' main operating subsidiary, Wilson Sons, joined CDP in 2021 and improved its score from a 'C' to a 'B' in 2022. The company has also invested in six new energy efficient vessels that will be joining its fleet over the next two years. The innovative design will reduce GHG emissions by an estimated 14%, supporting the company's commitment to reduce its carbon footprint.

Alignment with SDGs

Menhaden Capital Management LLP is a supporter of the UN Sustainable Development Goals ("SDGs") and contributes to the challenge of achieving them through investment in the portfolio companies. Below is a snapshot of how some investees are contributing to six of the goals:

6 CLEAN WATER AND SANITATION

Microsoft is working to provide access to clean water around the world through its partnership with Water.org. Microsoft's contributions have provided 95,000 people with safe water or sanitation. Its Azure AI system is used by UK utility company Anglian Water for smart meters in their network. These have allowed customers to spot leaks in their homes, directly saving a massive 3 million litres of water every day.

7 AFFORDABLE AND CLEAN ENERGY

87% of **Amazon's** operations are powered by renewable energy, and the company predicts that its operations will become entirely powered by renewable sources by 2025 at its current pace.

Global renewable energy developer **X-ELIO** increased its pipeline from 3.6 GW to 7.6 GW, which if delivered in full will reduce 3,796,950 tonnes of CO2 emissions.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are investors in **Canadian National Railway** and **Canadian Pacific Railway**, both of whom are committed to delivering accessible infrastructure profitably and sustainably. Canadian National Railway has committed to reduce their emission intensity by 43% by maximising the efficiency of their technology, fuel processes and operations[1]. Canadian Pacific Railway has invested $637 million[2] to modernise its locomotive fleet.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Alphabet has diverted 78% of waste from its global data centre operations away from landfills and resold 4.9 million used or obsolete components. All Nest and Pixel devices contain recycled materials - with the Pixel 6's housing consisting entirely of recycled aluminium.

In 2021, **John Laing** acquired a 21.5% stake in Pacifico 2, a 96km road that links Medellin to the pacific port of Buenaventura. As part of the project, the team launched a "bottles for life" initiative which recycled the plastic from bottles into materials to help build animal crossings. Around 14 tons of plastic were collected and converted into 700 posts and 8,500 metres of mesh to create 12 animal crossings.

13 CLIMATE ACTION

Microsoft has made a public commitment to become a carbon negative company. It aims to cut greenhouse gas emissions to nearly zero by 2030 and utilise carbon removal projects like reforestation and direct air capture to remove all historical emissions.

Along with GE Aviation, **Safran** unveiled the Revolutionary Innovation for Sustainable Engines ("RISE") program that is seeking to create an engine that is 100% compatible with sustainable fuel or hydrogen.

14 LIFE BELOW WATER

VINCI has a stated aim to achieve no net loss of biodiversity - which is true of life on land as well as life on water. In 2020 VINCI joined the act4nature international initiative, which sets in place firm goals on protecting biodiversity. They also have implemented water treatment processes at the local level in their operations.

[1] CN CDP climate Change Response 2022 [2] Climate Change – Canadian Pacific Corporate Sustainability Report (cpr.ca)

Business Review

The Strategic Report on pages 2 to 35 has been prepared to provide information to enable shareholders to assess how the Directors have performed their duty to promote the success of the Company.

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

Business Model

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

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

The Company is an Alternative Investment Fund ("AIF") under the UK's Alternative Investment Fund Managers Regulations ("UK AIFMD") and Frostrow Capital LLP ("Frostrow") is the appointed 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 third party service providers. As a result, the Company has no executive directors, employees or internal operations.

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

Further information on the Board's role and the topics it discusses with the AIFM and the Portfolio Manager is provided in the Corporate Governance Statement beginning on page 43.

Investment Strategy

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

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

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

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

Dividend Policy

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

The Board

Biographical details of the Directors are set out on pages 36 and 37 and information on the workings of the Board and its Committees is set out in the Corporate Governance Statement on pages 43 to 49.

Duncan Budge will step down from the Board and all other Directors will seek re-election by shareholders at the Annual General Meeting to be held on 21 June 2023.

Principal Service Providers

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

AIFM

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

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

AIFM Fee

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

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

Portfolio Manager

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

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

Portfolio Management Fee

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

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

Performance Fee

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

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

**see Glossary for further details*

Business Review
continued

Depository

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

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

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

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

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

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

Evaluation of the AIFM and the Portfolio Manager

The performance of the AIFM and the Portfolio Manager is reviewed continuously by the Board and the Company's Management Engagement Committee (the "MEC"), with a formal evaluation process being undertaken each year. As part of this process, the Board monitors the services provided by the AIFM and the Portfolio Manager and receives regular reports from them. The MEC reviewed the appropriateness of the appointment of the AIFM and the Portfolio Manager in December 2022, following which it made a recommendation for continuation to the Board.

The Board believes the continuing appointment of the AIFM and the Portfolio Manager, under the terms described on page 25, is in the interests of shareholders as a whole. In coming to this decision, the MEC and the Board took into consideration, *inter alia*, the following:

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

Position, Performance and Future Developments

The Statement of Financial Position on page 68 shows the Company's financial position at the year end. Performance in the year relative to the Company's key performance indicators is set out below and further outlined, together with investment activity and strategy, market background and the future outlook, in the Chairman's Statement beginning on page 5 and the Portfolio Manager's Review on pages 14 to 18.

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

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

Key Performance Indicators ("KPIs")

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

The KPIs for the Company are:

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

These are all Alternative Performance Measures. Please refer to the Glossary beginning on page 87 for definitions of these terms and an explanation of how they are calculated.

NAV per share total return

The Directors regard the Company's NAV per share total return as being the overall measure of value delivered to shareholders over the long term. This reflects both the net asset value growth of the Company and any dividends paid to shareholders. The Board monitors the Company's NAV total return against its benchmark and peers in the AIC Global Sector and the AIC Environmental Sector. The Company's NAV per share total return over the year to 31 December 2022 was -16.5% (2021: +17.3%). To reflect the Company's total return investment strategy, the Board uses RPI+3% as its primary long-term financial performance benchmark. RPI+3% over the year was 13.7% (2021: 10.5%).

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

Share price total return

The Directors regard the Company's share price total return to be a key indicator of performance and monitor this closely. This measure reflects the return to the investor on last traded market prices, assuming any dividends paid are reinvested. The Company's share price total return over the year to 31 December 2022 was -20.3% (2021: +13.1%).

Share price discount/premium to NAV per share

The share price discount/premium to the NAV per share is considered a key indicator of performance as it impacts the share price total return and can provide an indication of how investors view the Company's performance and its investment objective. At 31 December 2022 the discount stood at 31.4% (2021: 28.1%). The Chairman's Statement beginning on page 5, addresses the discount and the approach of the Board. The discount remained stubbornly wide throughout the year.

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality services and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in comparison to the Company's peers. The ongoing charges ratio for the year to 31 December 2022 was 1.8% (2021: 1.8%).

Business Review
continued

Risk Management

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

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

- Corporate Risks
- Investment Risks
- Operational Risks
- Financial Risks
- Legal and Regulatory Risks
- Geopolitical and other Macro Risks

The following sections detail the risks the Board considers to be the most significant to the Company under these headings. Geopolitical and other Macro Risk is a new addition to the principal risk headings this year, although elements of it were previously recognised. The other risks are broadly unchanged from the prior year. The risks from climate change and Paris Accord undertakings are taken into consideration but are not considered to be key risks, tending to be offset by the Company's positioning as a beneficiary of related resource efficiency policies.

Principal Risks and Uncertainties	Management and Mitigation
Corporate Risks The share price may differ materially from the NAV per share i.e. the shares may trade at a material discount to the NAV per share. A widening discount affects shareholder returns and satisfaction and, as such, could influence the outcome of the next continuation vote or, in extremis, precipitate the requisitioning of a general meeting to wind-up the Company.	At each meeting, the Board: • reviews the Company's investment objective in relation to the market, economic conditions and the operation of the Company's peers; • discusses the Company's future development and strategy; • reviews an analysis of the shareholder register and reports on investor sentiment from the Company's corporate stockbroker and AIFM; • reviews the level of the share price discount to the NAV per share and, in consultation with its advisers, considers ways in which share price performance may be enhanced; and • reviews the Company's promotional activities and distribution strategy, which have been delegated to Frostrow, to ensure the Company is promoted to current and potential investors.
Investment Risks The implementation of the investment strategy adopted by the Portfolio Manager may be unsuccessful and result in underperformance against the Company's principal performance comparators and peer companies.	The Board regularly reviews the Company's investment mandate and MCM's long-term investment strategy in relation to market and economic conditions, and the performance of the Company's peers. The Portfolio Manager provides an explanation of stock selection decisions and an overall rationale for the make-up of the portfolio, including the resource-efficiency credentials of the portfolio holdings. MCM discuss current and potential investment holdings with the Board on a regular basis.

Principal Risks and Uncertainties	Management and Mitigation
The portfolio may be affected by market risk, that is volatile market movements (in both equity and foreign exchange markets) in the sectors and regions in which it invests. The Company is also exposed to concentration risk, which is the potentially higher volatility arising from its relatively concentrated portfolio, and sector-specific risks such as global energy and commodity prices or withdrawal of government subsidies for renewable energy.	As part of its review of the going concern and longer-term viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 17 to the financial statements beginning on page 80), an analysis of how the portfolio would perform during a market crisis, and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements on pages 38 and 30 respectively. Whilst market risk can be reduced through diversification, prospects for this are limited by the requirement to comply with the Company's resource efficiency theme and its concentrated portfolio strategy. To manage concentration risk, the Board has appointed the AIFM and the Portfolio Manager to manage the portfolio within the remit of the investment objective and policy set out on pages 8 and 9. The investment policy limits ensure a reasonable amount of portfolio diversification, reducing the risks associated with individual stocks and markets. The Portfolio Manager's approach to investment risk is set out on page 11. Compliance with the investment restrictions is monitored daily by the AIFM and reported to the Board on a monthly basis. While market risk cannot be eliminated through diversification, it can be potentially reduced through hedging. The Board sets the Company's policy on hedging, which is detailed on page 8. The Company does not speculatively seek to manage currency, but during the year under review hedged approximately 50% of the portfolio's US dollar and euro exposures. Details of the foreign exchange forwards used for this purpose are set out in the Portfolio Manager's Review beginning on page 14.
The departure of a key member of the portfolio management team may affect the Company's performance.	The Portfolio Manager reports to the Board on developments at MCM at each Board meeting. All investment decisions are made by an Investment Committee, reducing reliance on a single individual.
Operational Risks As an externally managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administrative services, financial and other functions. If such systems were to fail or be disrupted (including as a result of cyber crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.	The Board continuously monitors the performance of all the principal service providers with a formal evaluation process being undertaken each year. The Audit Committee reviews internal controls reports and key policies put in place by its principal service providers. This includes reports on service providers' cyber security measures and disaster recovery procedures. Both Frostrow and MCM provide a quarterly compliance report to the Audit Committee, which details their compliance with applicable laws and regulations. The Audit Committee maintains the Company's risk matrix which details the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of their operation. Further details are set out in the Audit Committee Report on page 51.

Business Review

continued

Principal Risks and Uncertainties	Management and Mitigation
Financial Risks The Company is exposed to liquidity risk and credit risk arising from the use of counterparties. If a counterparty were to fail it could adversely affect the Company through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is the Depositary, which is responsible for the safekeeping of the Company's custodial assets.	The Company's assets include liquid securities which can be sold to meet funding requirements, if necessary. Further information on financial instruments and risk can be found in note 17 to the financial statements beginning on page 80. The Board reviews the services provided by the Depositary and the internal controls report of the Custodian to ensure that the security of the Company's custodial assets is maintained. The Portfolio Manager is responsible for undertaking reviews of the credit worthiness of the counterparties that it uses. The Board reviews the Portfolio Manager's approved list of counterparties and the Company's use of those counterparties. Appropriate due diligence is undertaken to verify the existence and ownership of unquoted (non-custodial) assets.
Legal and Regulatory Risks The regulatory or political environment in which the Company operates could change to the extent that it affects the Company's viability.	The Board monitors regulatory developments but relies on the services of its external advisers to ensure compliance with applicable law and regulations. The Board has appointed a specialist investment trust company secretary who provides industry and regulatory updates at each Board meeting.
Geopolitical and other Macro Risks Portfolio constituents may be affected by regional events or politics. The most prominent recent example is the war in Ukraine and related sanctions.	The Board has no control over such macro events. The vast majority of the Company's investments, both quoted and unquoted, are in developed markets which are expected to be more stable. The Company has no investments located in or significantly exposed to Russia or Ukraine, but the Board will continue to monitor developments closely.

Longer Term Viability Statement

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

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

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on the Company's latest available financial positions, it is estimated that 78.1% of the current portfolio could be liquidated within seven days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only its non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

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

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

As part of its review the Board considered the impact of a significant and prolonged decline in the Company's performance and prospects. This included a range of plausible downside scenarios such as reviewing the effects of substantial falls in investment values and the impact on the Company's ongoing charges.

Company Promotion

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

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

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

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

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

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

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

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

Stakeholder group	How the Board engaged with the Company's stakeholders
Investors	The Board's key mechanisms of engagement with investors include: ● The Annual General Meeting. ● The Company's website which hosts reports, articles and insights, and monthly factsheets. ● One-to-one investor meetings. ● Group meetings with professional investors. ● The Annual and Half yearly Reports. The AIFM and the Portfolio Manager, on behalf of the Board, complete a programme of investor relations throughout the year, reporting to the Board on the feedback received. The Company's broker also reports to the Board on investor sentiment and industry issues. In addition, the Chairman has been available to engage with the Company's shareholders where required.
Portfolio Manager	The Board met regularly with the Portfolio Manager throughout the year, both formally at quarterly Board meetings and informally, as needed. The Board discussed the Company's overall performance, including against the benchmark and the KPIs, as well as developments in individual portfolio companies and wider macroeconomic developments. The Board also received monthly performance and compliance reports.
Service Providers	The Board met regularly with the AIFM, representatives of which attend every quarterly Board meeting to provide updates on risk management, accounting, administration and corporate governance matters. The Management Engagement Committee reviewed the performance of all the Company's service providers, receiving feedback from Frostrow in their capacity as AIFM and Company Secretary. The AIFM, which is responsible for the day-to-day operational management of the Company, meets and interacts with the other service providers including the Depositary, Custodian, and Registrar, on behalf of the Board, on a daily basis. This can be through email, one-to-one meetings and/or regular written reporting. The Audit Committee met with Mazars LLP to review the audit plan, the outcome of the annual audit and to assess the quality and effectiveness of the audit process.
Portfolio companies	The Portfolio Manager, on behalf of the Board, engaged with a number of portfolio companies on a range of issues. Environmental issues were a key topic of engagement. The Board received a quarterly update on the Portfolio Manager's engagement activities.

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

Key areas of engagement	Main decisions and actions taken
• Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio. • The impact of market volatility caused by, *inter alia*, the Covid-19 pandemic and Russia's invasion of Ukraine on the portfolio. • Share price performance. • The Portfolio Manager's investment approach.	The Board and the Portfolio Manager provided updates via RNS, the Company's website and the usual financial reports and monthly fact sheets. The Board continued to monitor share price movements closely, both in absolute terms and in relation to the Company's peer group. The actions the Board has taken to address the share price discount to the NAV per share are described in the Chairman's Statement beginning on page 5.
• Portfolio composition, performance, outlook and business updates. • The suitability of new investments with respect to the Company's resource efficiency theme. • The integration of ESG principals into the Portfolio Manager's investment process and their engagement with investee companies on ESG matters. • The Portfolio Manager's system of internal controls and investment risk management. • The Company's management fee structure.	The Board concluded that it was in the interests of shareholders for MCM to continue in their role as Portfolio Manager on the same terms and conditions. Further information is provided on page 26. The Audit Committee concluded that the Portfolio Manager's internal controls were satisfactory. See the Audit Committee Report, beginning on page 50, for further information.
• The quality of service provision and the terms and conditions under which service providers are engaged. • The assessment of the effectiveness of the audit and the Auditor's reappointment. • The terms and conditions under which the Auditor is engaged.	The Board concluded that it was in the interests of shareholders for Frostrow to continue in their role as AIFM on the same terms and conditions. See page 26 for further details. The Board approved the Audit Committee's recommendation that it would be in the interests of shareholders for Mazars to be re-appointed as the Company's auditor for a further year. See the Audit Committee Report beginning on page 50 and the Notice of AGM beginning on page 91 for further information.
• Environmental reporting and target setting.	The Board worked with the Portfolio Manager to produce the Company's annual environmental impact statement, which outlines the impact the Company's investments have delivered, or intend to deliver. The report outlines the subjects on which the Portfolio Manager, with the support of the Board, engaged with portfolio companies. The report is on pages 19 to 23 and is published as a separate document on www.menhaden.com

Business Review
continued

Social, Human Rights and Environmental Matters

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

The Company notes the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations. As noted above, the Company is an investment trust with no employees, internal operations or property and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework. The Company recognises risks from climate change regulation, such as potential impacts on investee companies, portfolio construction, marketing and reputation. It also recognises the opportunity provided by the alignment of its investment objective and policy with the net zero agenda.

The Board believes that the integration of financially material environmental, social and governance ("ESG") factors into investment decision-making can reduce risk and enhance returns. The Portfolio Manager uses CDP ratings data as a basis for engagement with investee companies on ESG issues, including any considered to be climate related. More detail is included in the Company's Environmental Impact Statement set out on pages 19 to 23.

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

The Directors encourage the Portfolio Manager to ensure the Company's investments adhere to best practice in the management of ESG issues and encourage them to have due regard to the UN Global Compact and UN Principles of Responsible Investment. The Portfolio Manager was a signatory to the Financial Reporting Council 2012 UK Stewardship Code. Whilst MCM is not a formal signatory to the 2020 Stewardship Code, it adheres to the 12 principles as closely as possible.

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

Anti-Bribery and Corruption Policy

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

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

Prevention of the Facilitation of Tax Evasion

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

This Strategic Report on pages 2 to 35 has been approved by the Board.

Sir Ian Cheshire
Chairman
28 March 2023

Board of Directors

Sir Ian Cheshire (Chairman)

Sir Ian Cheshire joined the Board shortly before its IPO in 2015. He has been Chairman of the Company since appointment, but will be stepping aside from that position, though remaining a non-executive Director of the Company, on 16 May 2023.

He is the chairman of Spire Healthcare Group plc and of Channel 4. He is also a non-executive director of BT Group plc and joined the board of Land Securities Group PLC on 23 March 2023 as a non-executive director and chair designate. He will retire from the BT Group plc board at their AGM in July 2023. He additionally chairs the Prince of Wales Charitable Fund and the We Mean Business Coalition.

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

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

Howard Pearce

Howard Pearce has been a non-executive Director of the Company' and Chair of the Audit Committee since shortly before its IPO in 2015.

He is chairman of the Columbia Threadneedle Responsible Investment Advisory Council, and founder of HowESG Ltd, a specialist environmental, asset stewardship, and corporate governance consultancy business.

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

The Directors' beneficial interests in the Company's shares are set out in the Directors' Remuneration Report on page 55.

Duncan Budge

Duncan Budge has been a non-executive Director of the Company since shortly before its IPO in 2015.

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

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

Duncan will be stepping down from the Board at the conclusion of the AGM on 21 June 2023.

Soraya Chabarek

Soraya Chabarek joined the Board as a non-executive Director on 1 March 2023.

She is CEO at CQS (UK) LLP, a London-based, credit-focused multi-strategy asset management firm. She joined CQS in 2013, is a Senior Partner and serves as a director on the CQS board.

During her career, Soraya has had exposure to a broad range of fund strategies including global macro, equities, emerging markets, credit and convertibles.

She was previously at Moore Europe Capital Management, from 2008 to 2013, where she was head of marketing for emerging macro strategies. From 2004 to 2008 she was a principal at GLG Partners and from 2000 to 2004 she was with HSBC Private Bank.

Barbara Donoghue

Barbara Donoghue (also known as Barbara Donoghue Vavalidis) joined the Board as a non-executive Director on 1 February 2022.

She was a non-executive director of Byredo AB, a Stockholm based luxury fragrance company, until June 2022, having been its chair for the six years to 2020.

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

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 December 2022. Disclosures relating to performance, future developments and risk management can be found within the Strategic Report on pages 2 to 35.

Business and Status of the Company

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

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

Continuation of the Company

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

Performance and Future Developments

Details of the Company's and its Portfolio's performance and prospects are included in the Strategic Report, on pages 2 to 35, and incorporated in this Directors' Report by reference.

Dividends

In accordance with the dividend policy set out on page 24 the Board is recommending a final dividend of 0.4p per ordinary share in respect of the year ended 31 December 2022, to be paid on 29 June 2023 to shareholders on the register on 2 June 2023, with the shares marked ex-dividend on 1 June 2023. An ordinary resolution to this effect is included in the AGM notice of meeting on page 91 of this annual report.

A dividend of 0.2p per ordinary share was paid on 29 June 2022 in respect of the year ended 31 December 2021, following approval by shareholders at the 2022 AGM.

Going Concern

The Company's portfolio, investment activity, cash balances, revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report, including the results of these stress tests, the conclusions drawn in the Viability Statement in the Strategic Report on pages 30 and 31, together with the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Alternative Performance Measures

The Financial Statements (on pages 66 to 85) set out the required statutory reporting measures of the Company's financial performance. The Board additionally assesses the Company's performance against a range of criteria that are viewed as particularly relevant for investment trusts. These are summarised on page 2, explained in greater detail in the Strategic Report under the heading 'Key Performance Indicators' on page 27 and defined more fully, including the basis of calculation, in the Glossary on pages 87 and 88. These alternative performance measures are widely used in reporting within the investment company sector and the Directors believe they enhance the comparability of information and assist investors in understanding the Company's performance.

Substantial Interests in Share Capital

The Company was aware of the following substantial interests of 3% or more in the voting rights of the Company as at 31 December 2022 and 28 February 2023.

	28 February 2023		31 December 2022	
Shareholder	Number of Ordinary shares	% of issued share capital	Number of Ordinary shares	% of issued share capital
Cavenham Private Equity	15,635,000	19.6	15,635,000	19.5
Generali Deutschland Versicherung	10,000,000	12.5	10,000,000	12.5
Ravenscroft	5,053,256	6.3	5,053,256	6.3
Charles Stanley	3,270,695	4.1	3,366,282	4.2
Armstrong Investments	2,800,000	3.5	2,600,000	3.3
Rath Dhu	2,400,000	3.0	2,475,000	3.1

The number of shares in issue on 31 December 2022 was 80,000,001. The number of shares in issue on 28 February 2023 was 79,575,001.

Capital Structure

The Company has a single share class, being ordinary shares of 1p nominal value each, and has not issued any other forms of security. At 31 December 2022 the Company had 80,000,001 ordinary shares in issue. No shares were issued or bought back during the year. Since the year end, the Board has initiated a limited share buyback programme and at the date of this report, the Company had 79,175,001 ordinary shares in issue, 825,000 shares having been bought back in the market and subsequently cancelled.

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

There are no:

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

At the end of the year under review, the Directors had shareholder authority to issue a further 800,000 ordinary shares and to repurchase no more than 14.99% of the Company's issued share capital. These authorities will expire at the forthcoming Annual General Meeting. Proposals to renew the Board's powers to issue and buy back shares are set out in the Notice of Annual General Meeting beginning on page 91.

Beneficial Owners of Shares – Information Rights

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

Nominee Share Code

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

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

Directors' Report

continued

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

Common Reporting Standard ("CRS")

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

The Board

At the date of this report, the Board of the Company comprises Sir Ian Cheshire (Chairman), Duncan Budge, Barbara Donoghue, Howard Pearce and Soraya Chabarek. All of these Directors are non-executive, independent Directors. Sir Ian Cheshire, Duncan Budge and Howard Pearce served throughout the year. Barbara Donoghue was appointed to the Board with effect from 1 February 2022 and Soraya Chabarek was appointed to the Board after the year end, with effect from 1 March 2023. Emma Howard Boyd served as a Director for part of the year, retiring from the Board on 22 June 2022.

Further information on the Directors can be found on pages 36 and 37.

Directors' & Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Company during the year ended 31 December 2022. It is intended that this cover will continue for the year ending 31 December 2023 and subsequent years.

Directors' Indemnities

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

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

Other Statutory Information

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

- the rules on the appointment and replacement of directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles is governed by the Companies Act 2006 and would be subject to a shareholder vote.
- subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The Directors' authorities to issue and buy back shares in force at the end of the year, are recorded on page 39.
- there are no agreements:
  - (i) to which the Company is a party that might affect its control following a takeover bid; or
  - (ii) between the Company and its Directors concerning compensation for loss of office.

Greenhouse Gas Emissions

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

The Company produces an annual environmental impact statement which is included within this Annual Report on pages 19 to 23 and also published separately on www.menhaden.com. The impact report provides further detail on the environmental goals and impact of the Company's portfolio holdings.

Political Donations

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

Disclosure of Information to the Auditor

The Directors are listed on pages 36 and 37. Each Director confirms that:

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

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

Corporate Governance

The Corporate Governance Statement set out on pages 43 to 49 is included in this Directors' Report by reference.

Financial Instruments

The Company's financial instruments comprise securities and other investments, cash balances and certain debtors and creditors that arise directly from its operations. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 17 to the financial statements, beginning on page 80.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 25 Southampton Buildings, London WC2A 1AL on 21 June 2023 at 12 noon.

The business of the meeting is explained in some detail in the Explanatory Notes to the Resolutions on pages 96 and 97 of this Annual Report.

The AGM resolutions include the following items of special business:

Resolution 9 Authority to allot shares

Resolution 10 Authority to disapply pre-emption rights

Resolution 11 Authority to repurchase shares

Resolution 12 Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice.

The full text of the resolutions can be found in the Notice of AGM beginning on page 91.

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

By order of the Board

Frostrow Capital LLP
Company Secretary
28 March 2023

Statement of Directors' Responsibilities

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Report

The Directors, whose details can be found on pages 36 and 37, 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 2022; and
- the Chairman's Statement, Strategic Report and the Directors' Report include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure Guidance and Transparency Rules.

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

On behalf of the Board

Sir Ian Cheshire
Chairman
28 March 2023

The Board and Committees

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

The Board

Chairman – Sir Ian Cheshire

Four additional non-executive Directors, all considered independent.

Key roles and responsibilities:

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

Management Engagement Committee

Chairman – Sir Ian Cheshire

All Directors

Key roles and responsibilities:

- to review the contracts, the performance and the remuneration of the Company's principal service providers; and
- to make recommendations to the Board regarding the continuing appointment of the AIFM and the Portfolio Manager.

Audit Committee

Chairman – Howard Pearce

Duncan Budge, Barbara Donoghue, Soraya Chabarek

Key roles and responsibilities:

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

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

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

Corporate Governance Statement

continued

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

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

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

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

The Company has complied with the principles and provisions of the AIC Code with the exception that the Board has not appointed a senior independent director or established a nomination committee. The Board considers that these are not necessary given the small size of the Board. Further information on the latter is provided on page 43.

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 24.

The Board

Board Membership

At the date of this Annual Report the Company has a Board of five non-executive Directors, including the Chairman. Sir Ian Cheshire (the Chairman), Duncan Budge and Howard Pearce served throughout the financial year and to the date of this Annual Report. Barbara Donoghue joined the Board on 1 February 2022 and continues to serve. Emma Howard Boyd, who was a member of the Board from the Company's launch, stepped down from the Board at the Company's AGM on 22 June 2022. Soraya Chabarek joined the Board after the end of the Company's financial year, on 1 March 2023. Further information on the Board and its operation follows:

Board Culture

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

Responsibilities of the Chairman

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

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

Director Independence

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

Conflicts of Interest

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

Directors' Other Commitments

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

Board Meetings

The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, gearing, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expenses projections, analyses of asset allocation, transactions, performance comparisons, share price and net asset value performance. The Board's approach to addressing share price performance during the year is described in the Chairman's Statement beginning on page 5.

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 2022	Board (4)	Audit Committee (3)	Management Engagement Committee (1)
Sir Ian Cheshire	4	3[1]	1
Duncan Budge	4	3	1
Barbara Donoghue[2]	3	2	–
Howard Pearce	4	3	1
Emma Howard Boyd[3]	1	1	–
Soraya Chabarek[4]	–	–	–

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

[2] Barbara Donoghue was appointed to the Board on 1 February 2022.

[3] Emma Howard Boyd retired from the Board on 22 June 2022.

[4] Soraya Chabarek was appointed as a Director after the end of the financial year, on 1 March 2023.

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

Matters Reserved for Decision by the Board

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

- requirements under the Companies Act 2006, including approval of the half yearly and annual financial statements, recommendation of the final dividend (if

Corporate Governance Statement
continued

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

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

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

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

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

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

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

Board Tenure, Succession and Evaluation

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

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

Board Evaluation
During the course of 2022, the performance of the Board, its committees and the individual Directors (including each Director's independence and time commitments) were evaluated through a questionnaire-based formal assessment process led by the Chairman. Mr Pearce led the assessment of the Chairman's performance.

The Chairman is satisfied that the Directors are all independent, the structure and operation of the Board continues to be effective and that there is a satisfactory mix of skills, experience and knowledge. The latest evaluation did not identify any new areas to be addressed, so no new actions were implemented as a result. As a matter of course, the Board continues to monitor particular areas of relevance highlighted in the evaluation process, including the discount at which the Company's shares trade, the resource efficiency credentials of the portfolio and risks to which the Company is exposed.

All Directors submit themselves for annual re-election by shareholders. Further information on the contribution of each individual Director can be found in the explanatory notes to the notice of the AGM on page 96. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

Board Diversity

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

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

The Board has noted the FCA's new Listing Rules which require companies to report against the following diversity targets:

(a) At least 40% of individuals on the board are women;
(b) At least one of the senior board positions is held by a woman; and
(c) At least one individual on the board is from a minority ethnic background.

The following tables set out the information a listed company must now include in its annual financial report under listing rule 9.8.6R (10). The information below reflects the Board's position as at the Company's year end. For both tables, the right hand column is deliberately left blank. Being an externally managed investment company, the Company does not have the roles of CEO or CFO, nor has the Board appointed a senior independent director, and therefore, as allowed by the rules, it does not need to report against the second target as it is not applicable. As shown in the tables below, the Company had not met either of the applicable targets at the year end. However, following changes made to the Board after the year end, the Company had met both of the applicable targets at the date of this report. Each Director volunteered how they wished to be included in the tables.

(a) Table for reporting on gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
Men	3	75	
Women	1	25	
Not specified/prefer not to say	–	–	

(b) Table for reporting on ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)
White British or other White (including minority-white groups)	4	100	
Mixed/Multiple Ethnic Groups	–	–	
Asian/Asian British	–	–	
Black/African/Caribbean/Black British	–	–	
Other ethnic group, including Arab	–	–	
Not specified/prefer not to say	–	–	

Corporate Governance Statement
continued

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

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

Three of the Directors who served throughout the financial year were appointed when the Company was established and consequently their tenures coincide. The Board is committed to ensuring that there is an orderly succession with appropriate overlap of new Directors and has continued its refreshment process with the appointment of Soraya Chabarek as a new non-executive Director on 1 March 2023. A resolution for her election will be put to shareholders at the forthcoming AGM. Duncan Budge will retire from the Board at that meeting. It is currently intended that the next new appointment to the Board in connection with the ongoing Board succession process will be in 2024.

Also in relation to succession, Howard Pearce will succeed Sir Ian Cheshire as Chair of the Board on 16 May 2023, with Sir Ian remaining as a Board member for the time being.

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

Following a recruitment exercise during the course of the year, the Board appointed Soraya Chabarek as a new non-executive Director with effect from 1 March 2023. The Board utilised the services of an independent executive search agency, Nurole Ltd, for the recruitment process. Nurole has no other connection with the Company. Ms Chabarek will offer herself for election by shareholders at the forthcoming AGM.

Audit, Risk and Internal Control
The Statement of Directors' Responsibilities on page 42 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 50, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 28 to 30.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on pages 30 and 31.

Remuneration
The Directors' Remuneration Report beginning on page 54 and the Directors' Remuneration Policy on page 57 set out the levels of remuneration for each Director and explain how Directors' remuneration is determined.

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

The Management Engagement Committee evaluates Frostrow and MCM's performance and reviews the terms of the AIFM and Portfolio Management Agreements at least annually. The outcome of this year's review is described on page 26.

Relationship with Other Service Providers

The Management Engagement Committee monitors and evaluates all of the Company's other service providers, including the Depositary, Registrar and Broker. At the most recent review in December 2022, the Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions.

Whistleblowing

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

Shareholders

Shareholder Relations

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

Shareholder Communications

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

The Board supports the principle that the Annual General Meeting ("AGM") be used to communicate with private investors. In particular, shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chairman, the Board and representatives of the Portfolio Manager. In addition, the Portfolio Manager makes a presentation to shareholders covering the investment performance and strategy of the Company at the AGM. Shareholders are encouraged to register their votes on our registrar's website (www.signalshares.com) ahead of the meeting and to check the Company's website (www.menhaden.com) near the meeting date, where any changes to arrangements will be posted. Details of the votes in respect of each resolution will be announced to the market and published on the Company's website after the meeting.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Directors' Report beginning on page 38.

By order of the Board

Frostrow Capital LLP
Company Secretary
28 March 2023

Audit Committee Report

Statement from the Audit Committee Chairman

I am pleased to present the Audit Committee report for the year ended 31 December 2022. The Committee met three times during the year under review.

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

Composition

The Audit Committee comprises Howard Pearce (Chairman of the Committee), Duncan Budge, Barbara Donoghue and Soraya Chabarek whose biographies are set out on pages 36 and 37. Ms Chabarek joined the Committee following her appointment to the Board, after the year end.

The Committee as a whole has experience relevant to the investment trust industry with Committee members having a range of financial and investment experience. Mr Pearce has extensive experience in audit, having chaired the audit committees of numerous organisations as outlined on page 36. Mr Budge serves on the audit committees of the three other investment trusts of which he is a non-executive director.

Responsibilities

In summary, the Committee's principal functions are:

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

Meetings and Business

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

April 2022

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

September 2022

- Review of the Company's terms of reference, non-audit services policy and audit tender guidelines;
- Review of the outcome and effectiveness of the 2021 year end audit and any matters arising;
- Review of the Company's half year results;
- Approval of the Half Year Report and financial statements, and the unquoted investment valuations;
- Review of risk management, internal controls and compliance; and
- Review of the Company's anti bribery and corruption policy and the policy on the prevention of the facilitation of tax evasion, and the measures put in place by the Company's service providers.

December 2022

- Review of the Auditor's plan and terms of engagement for the 2022 year end audit;
- Review of new or revised reporting requirements and audit standards;
- Review of the valuation methodology for the unquoted investments; and
- Review of risks, internal controls and compliance.

Performance Evaluation

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

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

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

Internal Controls and Risk Management

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

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

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

A summary of the principal risks facing the Company is provided in the Strategic Report on pages 28 to 30.

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

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

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

Audit Committee Report
continued

Significant Reporting Matters

The Committee considered the significant issues in respect of the Annual Report, including the financial statements. The table below sets out the key areas of audit risk identified and also explains how these were addressed. The Committee notes that these had also been identified by the Auditor as key audit risk areas and that it had discussed with them their approach and conclusions.

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 70. Controls are in place to ensure that valuations are appropriate and existence is verified through reconciliations with the Depositary. The Committee discussed with Frostrow and MCM the process by which the unquoted investments are valued, and ownership documented, including the reconciliation process with the Depositary. They also reviewed and challenged the valuation of the unquoted investments as at 31 December 2022, including the level of any discounts to net asset value applied to the unquoted valuations, to ensure that they were carried out in accordance with the accounting policy set out in note 1(b) on page 71. The Committee asked the Auditor to focus on this area given the judgement involved. Having reviewed the valuations, the Committee confirmed its satisfaction 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 and also noted that this was an area that the Auditor had identified as a particular area of risk that they would review.

Financial Statements

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

- the procedures followed in the production of the Annual Report, including the processes in place to assure the accuracy of factual content;
- the extensive levels of review that were undertaken in the production process by Frostrow, together with the Committee's own review and the challenges it made with respect to judgements and assumptions applied and the disclosures included; and
- the internal control environment operated by Frostrow, MCM, the Depositary and other service providers.

The Committee is satisfied that it is appropriate for the Board to prepare the financial statements on the going concern basis. Further detail can be found on page 38. The financial statements can be found on pages 66 to 85.

The Committee also considered the longer-term viability of the Company in connection with the Board's statement in the Strategic Report on pages 30 and 31. The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties (including any potential impacts related to climate change) and the results of stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds. This included modelling further substantial market falls, and significantly reduced market liquidity, to that experienced recently in connection with the war in Ukraine and any tail risks from the coronavirus pandemic, as well as Brexit. The scenarios assumed that there would be significant falls in asset prices, that the Company's existing capital commitments would be drawn down rapidly and in large instalments, that there would be no sales of or distributions from private investments, and that listed portfolio companies would cut their dividends.

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

Withholding Tax

The Committee monitored the reclamation of withholding tax, receiving updates from Frostrow on the process.

Internal Audit

The Committee considered whether there was a need for the Company to have an internal audit function. As the Company delegates its day-to-day operations to third parties and has no employees, the Committee concluded that there was no such need.

External Auditor

In addition to the reviews undertaken at Committee meetings, I met with Mazars LLP ("Mazars") on 8 March 2023 to discuss the progress of the audit and the draft Annual Report. During each of these meetings and in their report to the Committee the Auditor demonstrated professional scepticism, outlining where they had challenged particular assumptions and judgements and the resolutions of these.

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

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

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

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

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

Non-Audit Services

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

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

Auditor Reappointment

Stephen Eames was the audit partner for the financial year under review and he has confirmed Mazars' willingness to continue to act as Auditor to the Company for the forthcoming financial year. Mazars' appointment is subject to shareholder approval at the next Annual General Meeting to be held on 21 June 2023 and the resolution can be found in the Notice of AGM on page 91.

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

Howard Pearce
Chairman of the Audit Committee
28 March 2023

Directors' Remuneration Report

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. An ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's opinion is included in their report to shareholders on pages 58 to 65.

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

Directors' fees during the year were unchanged from the previous year: £50,000 per annum for the Chairman and £25,000 per annum for Directors, with Directors who serve on the Audit Committee receiving an additional £15,000 per annum. Directors' fees have remained unchanged since the Company's launch in 2015. The Board reviewed the fee levels at a meeting held on 6 December 2022 and it was decided that they would remain unchanged for the year ending 31 December 2023. No remuneration consultants were appointed during the year (2021: none).

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

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally managed investment trust (please refer to the Business Review beginning on page 24 for more information). Accordingly, statutory disclosure requirements relating to executive directors' and employees' pay do not apply.

Changes in Directors' Remuneration

Director	2023 Fee Level (projected)	2023 % Change	2022 Fee Level	2022 % Change	2021 Fee Level	2021 % Change	2020 Fee Level	2020 % Change
Sir Ian Cheshire[1]	£43,699	-13%	£50,000	–	£50,000	–	£50,000	–
Duncan Budge[2]	£19,000	-53%	£40,000	–	£40,000	–	£40,000	–
Howard Pearce[3]	£46,301	+16%	£40,000	–	£40,000	–	£40,000	–
Emma Howard Boyd[4]	n/a	–	£19,128	-52%	£40,000	–	£40,000	–
Barbara Donoghue[5]	£40,000	+9%	£36,667	–	n/a	–	n/a	–
Soraya Chabarek[6]	£33,333	–	n/a	–	n/a	–	n/a	–

1 Sir Ian will step down as Chairman on 16 May 2023 but will continue as a non-executive director for the time being.
2 Duncan Budge will retire at the 2023 AGM.
3 Howard Pearce will succeed Sir Ian as Chairman of the Board on 16 May 2023.
4 Emma Howard Boyd retired from the Board on 22 June 2022.
5 Barbara Donoghue was appointed as a Director with effect from 1 February 2022.
6 Soraya Chabarek was appointed as a Director with effect from 1 March 2022.

Single Total Figure of Remuneration (audited)

Director	2022 Fees	2022 Taxable expenses	2022 Total	2021 Fees	2021 Taxable expenses	2021 Total	Percentage change in fees (%)
Sir Ian Cheshire	50,000	–	50,000	50,000	–	50,000	–
Duncan Budge	40,000	–	40,000	40,000	–	40,000	–
Emma Howard Boyd[1]	19,128	–	19,128	40,000	–	40,000	–
Barbara Donoghue[2]	36,667	–	36,667	n/a	n/a	n/a	n/a
Howard Pearce	40,000	2,677	42,677	40,000	2,464	42,464	–
Soraya Chabarek[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	**185,795**	**2,677**	**188,472**	**170,000**	**2,464**	**172,464**	

1 Emma Howard Boyd retired from the Board on 22 June 2022.
2 Barbara Donoghue was appointed as a Director with effect from 1 February 2022.
3 Soyara Chabarek was appointed as a Director after the end of the financial year.

No payments have been made to any former directors. It is the Company's policy not to pay compensation upon leaving office for whatever reason. No signing-on bonuses or pay supplements are made when directors are recruited. 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 2022	Ordinary shares of 1p each as at 31 Dec 2021
Sir Ian Cheshire	115,000	115,000
Duncan Bridge	10,000	10,000
Barbara Donoghue	216,693	n/a
Howard Pearce	40,000	40,000
Soraya Chabarek^	n/a	n/a
Total	**381,693**	**165,000**

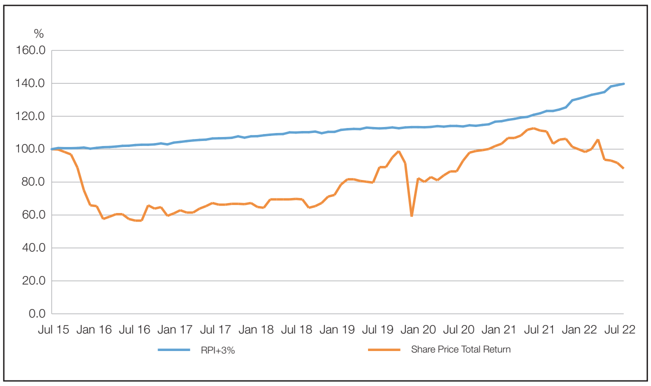
^ Soraya Chabarek was appointed as a Director with effect from 1 March 2023. She does not hold any shares in the Company.

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

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

Performance

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



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

Directors' Remuneration Report
continued

Relative Cost of Directors' Remuneration

The table below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 December 2022 and 2021.

	2022 £'000	2021 £'000	Change %
Total returns	(20,540)	18,399	(211.6)
Directors' fees	186	172	8.1†
Dividends paid	160	–	n/a
Total ongoing expenses	2,018	2,139	(5.7)

† There have been no changes in the annual fee rates payable to directors from 2021 to 2022. The change in total fees reflects the overlapping period between the retirement date of 22 June 2022 for Emma Howard Boyd and the appointment date of 1 February 2022 for Barbara Donoghue.

Statement of Voting at the AGM

At the Annual General Meeting held on 22 June 2022 the results of voting on the resolutions to approve the Directors' Remuneration Report and the Directors' Remuneration Policy were as follows:

Resolution	Votes cast for	Votes cast against	Votes withheld*
Directors' Remuneration Report	36,185,763	2,175	11,266
	100.0%	0.0%	
Directors' Remuneration Policy	36,185,763	2,175	11,266
	100.0%	0.0%	

*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
28 March 2023

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 a 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.

The above policy will also apply to new Directors.

This policy was last approved by shareholders at the Annual General Meeting held on 22 June 2022.

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

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

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

Opinion

We have audited the financial statements of Menhaden Resource Efficiency PLC (the "Company")for the year ended 31 December 2022, which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- Reviewing the directors' going concern assessment based on a 'most likely' (base case) scenario and a 'worst case scenario' as approved by the board of Directors on the 16 March 2023.
- Making enquiries of the directors to understand the period of assessment considered by the Directors, the completeness of the adjustments taken into account and implication of those when assessing the 'most likely' scenario and the 'worst case scenario'. This included examining the minimum cash inflow and committed outgoings under the 'base case' cash flow forecasts and evaluated whether the directors' conclusions that liquidity headroom remained in all events was reasonable.
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios.
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts.
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Valuation, existence and ownership of the investment portfolio The Company has a significant portfolio of quoted and unquoted investments, these are measured in accordance with the requirements of FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies. The investments are made up of quoted and unquoted investments and there are different valuation approaches applied across the portfolio. Within these valuations there are a significant level of judgements made in ascertaining the fair value. There is a risk that the judgements made in the valuation approaches may lead to a misstatement in the value recorded in the Statement of Financial Position. There is also a risk that investments recorded might not exist or might not be owned by the Company.	Our audit procedures included, but were not limited to: Quoted investments • understanding management's process to value quoted investments through discussions with management and examination of control reports on the third-party administrator; • agreeing the valuation of quoted investments to an independent source of market prices; • obtaining and agreeing confirmation from the custodian of investments held in order to obtain comfort over existence and ownership; • testing on a sample basis additions and disposals of investments throughout the year back to supporting documentation (bank statements and list of trade confirmations); and • reviewing the adequacy of the disclosure in the financial statements and ensuring that the methodology applied is in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies.

Independent Auditor's Report

continued

Key Audit Matter	How our scope addressed this matter
	Unquoted investments • understanding management's process to value unquoted investments through discussions with management and examination of control reports on the third-party service organisations; • obtaining and agreeing confirmation of investments held in order to obtain comfort over existence and ownership; • engaging with our valuation expert in considering whether the methodology and assumptions applied for valuing unquoted investments were in accordance with published guidance, principally the International Private Equity and Venture Capital Valuation Guidelines. This included reviewing the investment valuation policies of the private equity funds, reviewing the funds' latest available audited financial statements, reviewing the funds' latest reports and discussion with the fund's management where applicable; • reviewing whether there are any going concern issues and uncertainties in relation to market factors for the actual portfolio companies as well as their underlying investments and agreeing the valuation of unquoted investments to year end fair values as reported in valuation statements received directly from the investee funds; • testing on a sample basis additions and disposals of investments throughout the year back to supporting documentation (bank statements and notifications from the investee funds); and • reviewing the adequacy of the disclosure in the financial statements including valuation methodology, assumptions and fair value hierarchy used, taking into account market factors. Ensuring the methodology applied is in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies. Our observations Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the investments are appropriate. We did not note any issues with regard to the existence or the ownership of the investments held as at 31 December 2022.

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

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

Overall materiality	£1,030,000
How we determined it	This has been calculated with reference to the Company's net assets, of which it represents approximately 1%.
Rationale for benchmark applied	Net assets has been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. Approximately 1% of net assets has been chosen to reflect the level of understanding of the stakeholders of the Company in relation to the inherent uncertainties around accounting estimates and judgements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality was £772,000, which is approximately 75% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £30,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required

Independent Auditor's Report
continued

to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

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

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the AIC Code specified for our review.

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 38;
- Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on pages 30 and 31;
- Directors' statement on fair, balanced and understandable, set out on page 42;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 28;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 51; and
- The section describing the work of the audit committee, set out on pages 50 to 53.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditor's Report

continued

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Company, the industry in which they operate, and considering the risk of acts by the Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance;
- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards). From inspection of the Company's regulatory and legal correspondence and review of minutes of directors' meetings in the year we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the HMRC Investment Trust Conditions.

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the audit committee on 25 November 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ending 31 December 2019 to 31 December 2022.

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

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

Use of the audit report

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

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF
28 March 2023

Income Statement

	Notes	For the year ended 31 December 2022 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2021 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	8	–	(21,413)	(21,413)	–	21,124	21,124
Income from investments held at fair value through profit or loss	2	1,309	–	1,309	1,156	–	1,156
Investment management fees and performance fee provisions	3	(323)	387	64	(338)	(3,028)	(3,366)
Other expenses	4	(404)	–	(404)	(450)	–	(450)
Net income/(loss) before taxation		**582**	**(21,026)**	**(20,444)**	**368**	**18,096**	**18,464**
Taxation	5	(96)	–	(96)	(65)	–	(65)
Net income/(loss) after taxation		**486**	**(21,026)**	**(20,540)**	**303**	**18,096**	**18,399**
Income/(loss) per ordinary share – basic and diluted (pence)	6	**0.6**	**(26.3)**	**(25.7)**	**0.4**	**22.6**	**23.0**

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

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

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

The accompanying notes on pages 70 to 85 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Ordinary share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2021		800	77,371	45,996	364	124,531
Net (loss)/income after taxation		–	–	(21,026)	486	(20,540)
Dividends paid	7	–	–		(160)	(160)
At 31 December 2022		**800**	**77,371**	**24,970**	**690**	**103,831**

For the year ended 31 December 2021

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

The accompanying notes on pages 70 to 85 are an integral part of these financial statements.

Statement of Financial Position

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Fixed assets			
Investments	8	93,809	125,615
Current assets			
Debtors	10	104	218
Derivative financial instruments	9	4,200	–
Cash		6,061	878
		10,365	1,096
Current liabilities			
Creditors	11	(343)	(404)
Derivative financial instruments	9	–	(99)
Net current assets		10,022	593
Non-current liabilities			
Performance fee provisions	12	–	(1,677)
Net assets		103,831	124,531
Capital and reserves			
Ordinary share capital	13	800	800
Special reserve		77,371	77,371
Capital reserve	18	24,970	45,996
Revenue reserve		690	364
Total shareholders' funds		103,831	124,531
Net asset value per share – basic and diluted (pence)	14	129.8	155.7

The financial statements on pages 66 to 85 were approved by the Board of Directors and authorised for issue on 28 March 2023 and were signed on its behalf by:

Sir Ian Cheshire
Chairman

The accompanying notes on pages 70 to 85 are an integral part of these financial statements.

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

Statement of Cash Flows

	Notes	For the year ended 31 December 2022 £'000	For the year ended 31 December 2021 £'000
Net cash outflow from operating activities	15	(751)	(1,108)
Cash flows from investing activities			
Purchases of investments		(10,321)	(20,492)
Sales of investments		28,903	20,163
Settlement of derivatives	9	(12,488)	902
Net cash inflow from investing activities		6,094	573
Cash flows from financing activities			
Dividends paid	7	(160)	–
Net cash outflow from financing activities		(160)	–
Increase/(decrease) in cash and cash equivalents		5,183	(535)
Cash and cash equivalents at start of the year		878	1,413
Cash and cash equivalents at the end of the year		6,061	878

The accompanying notes on pages 70 to 85 are an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP"), and the historical cost convention, as modified by the valuation of investments at fair value through profit or loss. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress and liquidity tests which modelled the effects of substantial falls in markets and significant reductions in market liquidity, on the Company's financial position and cash flows. Further information on the assumptions used in the stress scenarios is provided in the Audit Committee report on page 52. The results of the tests showed that the Company would have sufficient cash, or the ability to liquidate a sufficient proportion of its listed holdings, to meet its liabilities as they fall due. Based on the information available to the Directors at the time of this report, including the results of the stress tests, the Company's cash balances, and the liquidity of the Company's listed investments, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

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

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

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

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

Presentation of the Income Statement

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

1. ACCOUNTING POLICIES continued

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of the Company's unquoted (Level 3) investments. £16,864,000 or 18.0% (2021: £15,776,000 or 12.6%) of the Company's portfolio is comprised of unquoted investments. These are all valued in line with accounting policy 1(b) below. Under the accounting policy the reported net asset value or price of recent transactions methodologies have been adopted in valuing those investments, as set out on page 83.

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

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

In using a figure of 25% in the disclosures, set out on page 84, in relation to unquoted investments the Directors had regard to the nature of the investments, the wide range of possible outcomes, and public information on secondary market transactions in private equity funds.

Segmental Analysis

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

(b) Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets:

The Company's basic financial assets include cash at bank and debtors. These financial assets are initially recognised at fair value and subsequently measured at amortised costs using the effective interest method.

Investment held at fair value through profit or loss:

Investments are initially measured at fair value, being the transaction price less associated transaction costs, and are subsequently remeasured at fair value as at the reporting dates.

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.

Notes to the Financial Statements

continued

1. ACCOUNTING POLICIES continued

(b) Financial Instruments continued

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

- Quoted Investments

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

- Unquoted Investments

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

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

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

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

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

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

Derivatives

Derivatives comprise foreign currency forwards used to hedge the Company’s foreign currency exposure. The forwards comprise sterling receivable and a foreign currency deliverable. Derivatives are classified as financial assets or financial liabilities at fair value through profit or loss, initially recognised at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value as at the reporting date. Changes in the fair value of derivative contracts are recognised as capital income or expense in the Income Statement.

(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 gross of the appropriate rate of withholding tax.

1. ACCOUNTING POLICIES continued

(c) Investment Income continued

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 substantively enacted.

(f) Foreign Currency

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

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

(g) Cash and Cash Equivalents

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

(h) Share Capital

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

Notes to the Financial Statements
continued

1. ACCOUNTING POLICIES continued

(i) Capital Reserves

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

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

(j) Special Reserve

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

(k) Revenue Reserve

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

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

	2022 £'000	2021 £'000
Income from investments		
Unquoted distributions	419	550
Dividends from quoted investments	883	606
	1,302	1,156
Bank interest	7	–
Total income	1,309	1,156

3. INVESTMENT MANAGEMENT FEES AND PERFORMANCE FEE PROVISIONS

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
AIFM fee	50	198	248	52	208	260
Portfolio management fee	273	1,092	1,365	286	1,143	1,429
Performance fee provisions	–	(1,677)	(1,677)	–	1,677	1,677
	323	(387)	(64)	338	3,028	3,366

4. OTHER EXPENSES

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Directors' remuneration	186	–	186	176	–	176
Employers NIC on directors' remuneration	18	–	18	18	–	18
Auditor's remuneration for the audit of the Company's financial statements	41	–	41	44	–	44
Registrar fee	18	–	18	17	–	17
Broker retainer	30	–	30	30	–	30
Custody and depositary fees	47	–	47	47	–	47
Other expenses	64	–	64	118	–	118
Total expenses	404	–	404	450	–	450

The Company has no employees and details of the amounts paid to Directors are included in the Directors' Remuneration Report beginning on page 54.

5. TAXATION ON NET RETURN

(a) Analysis of charge in period

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
UK corporation tax	–	–	–	–	–	–
Overseas withholding taxation	96	–	96	65	–	65

(b) Factors affecting current tax charge for the year

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

The tax charged for the period is lower than the standard rate of corporation tax in the UK of 25% (2021: 19%). The difference is explained below.

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Net income/(loss) before taxation	582	(21,026)	(20,444)	368	18,096	18,464
Corporation tax at 19% (2021: 19%)	110	(3,995)	(3,885)	70	3,438	3,508
Non-taxable gains on investments held at fair value through profit or loss	–	4,068	4,068	–	(4,013)	(4,013)
Overseas withholding taxation	96	–	96	65	–	65
Non-taxable overseas dividends	(247)	–	(247)	(220)	–	(220)
Excess management expenses*	137	(73)	64	150	575	725
Tax charge for the year	96	–	96	65	–	65

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

Notes to the Financial Statements

continued

5. TAXATION ON NET RETURN continued

(c) Provision for deferred tax

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

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom would increase from 19% to 25% for companies with taxable profits between £50,000 and £250,000, but with a marginal relief applying as profits increase. The Company has not recognised a deferred tax asset of £3,042,000 (25% tax rate) (2021: £2,950,000, 25% tax rate) as a result of excess management expenses. It is not anticipated that these excess expenses will be utilised in the foreseeable future.

6. INCOME/(LOSS) PER SHARE

The capital, revenue and total return per ordinary share are based on the net income/(loss) shown in the Income Statement on page 66 and the weighted average number of ordinary shares in issue 80,000,001 (2021: 80,000,001).

There are no dilutive instruments issued by the Company.

7. DIVIDENDS PAID

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

	2022 £'000	2021 £'000
2021 final dividend of 0.2p per share	160	–

In respect of the year ended 31 December 2022, a final dividend of 0.4p per share or £320,000 (2021: 0.2p per share or £160,000) in total has been recommended to shareholders and, if the resolution is passed at the AGM, will be reflected in the Annual Report for the year ending 31 December 2023. Details of the ex-dividend and payment dates are shown on page 38.

The Board's current policy is to only pay dividends out of revenue reserves if the need arises in order to maintain investment trust status. The amount of revenue reserve available for distribution as at 31 December 2022 is £690,000 (2021: £364,000). The Company generated a revenue profit in the year ended 31 December 2022 of £486,000 (2021: £303,000).

8. INVESTMENTS

	2022 Quoted Investments £'000	2022 Unquoted Investments £'000	2022 Total £'000	2021 Quoted Investments £'000	2021 Unquoted Investments £'000	2021 Total £'000
Opening balance						
Cost at 1 January	68,965	17,901	86,866	60,672	18,758	79,430
Investment holdings gains/(losses) at 1 January	40,874	(2,125)	38,749	22,963	642	23,605
Valuation at 1 January	**109,839**	**15,776**	**125,615**	**83,635**	**19,400**	**103,035**
Movement in the year:						
Purchases at cost	9,669	652	10,321	15,503	4,989	20,492
Sales – proceeds received	(13,197)	(3,218)	(16,415)	(11,579)	(9,486)	(21,065)
Net movement in investment holdings (losses)/gains	(29,366)	3,654	(25,712)	22,280	873	23,153
Valuation at 31 December	**76,945**	**16,864**	**93,809**	**109,839**	**15,776**	**125,615**
Closing balance						
Cost at 31 December	58,985	9,132	68,117	68,965	17,901	86,866
Investment holding gains/(losses) at 31 December	17,960	7,732	25,692	40,874	(2,125)	38,749
Valuation at 31 December	**76,945**	**16,864**	**93,809**	**109,839**	**15,776**	**125,615**

The Company received £16,415,000 (2021: £21,065,000), net of the £12,488,000 payment (2021: £902,000 receipt) on currency forward contracts (Note 9) from investments sold in the year. The book cost of these investments was £29,070,000 (2021: £13,056,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Gains on investments

	2022 £'000	2021 £'000
Net movement in investment holding (losses)/gains in the year	(25,712)	23,153
Net movement in derivative holding gains/(losses) in the year	4,299	(2,029)
(Losses)/gains on investments	**(21,413)**	**21,124**

Total unrealised gains, including transfers, during the year were £13,057,000 (2021: £15,144,000).

Purchase transaction costs were £3,000 (2021: £28,000). These comprise mainly commission and stamp duty.

Sales transaction costs were £3,000 (2021: £5,000). These comprise mainly commission.

Notes to the Financial Statements
continued

9. DERIVATIVES

	2022 £'000	2021 £'000
Fair value of FX forwards	4,200	(99)

FX forwards are currently used to hedge the Company's exposure to the euro and US dollar. See note 17(ii) for further details. The Company paid £12,488,000 (2021: received £902,000) on FX forwards closed during the year. The FX forwards are revalued over time and any gains or losses (both realised and unrealised) are included in gains/(losses) on investments in the capital column of the Income Statement.

The current currency forward contracts had an unrealised gain of £4,200,000 at the year end and the unrealised gains further improved to £4.8 million as at the approval date of this Annual Report. The next settlement date for the current currency forwards contract is 31 March 2023.

10. DEBTORS

	2022 £'000	2021 £'000
VAT recoverable	3	2
Withholding tax recoverable	68	49
Prepayments and accrued income	33	167
	104	218

11. CREDITORS

	2022 £'000	2021 £'000
Other creditors and accruals	343	404
	343	404

12. PERFORMANCE FEE PROVISIONS

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

As at 31 December 2022, no performance fee is expected to be payable in relation to the Portfolio Manager's cumulative performance during 2021 and 2022, being the first two years of the thee-year performance period that commenced on 1 January 2021. The £1,677,000 performance fee provisions provided for on 31 December 2021 have been fully reversed during the year ended 31 December 2022. This represents the Directors' best estimate of the obligation based on the NAV as at 31 December 2022 and has been charged to the capital column of the Income Statement.

If crystalised, settlement of performance fee provisions will take place following approval of the annual results for the year ended 31 December 2023. Incremental changes to the provision will be recognised in each subsequent period until crystallisation.

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

13. SHARE CAPITAL

	2022 £'000	2021 £'000
Issued and fully paid:		
80,000,001 ordinary shares of 1p per share	800	800

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

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

or

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

14. NET ASSET VALUE PER SHARE

	2022	2021
Net asset value per share	129.8p	155.7p

The net asset value per share is based on the assets attributable to equity shareholders of £103,831,000 (2021: £124,531,000) and on the number of ordinary shares in issue at the year end of 80,000,001.

There are no dilutive instruments issued by the Company.

15. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2022 £'000	2021 £'000
(Losses)/gains before taxation	(20,444)	18,464
Losses/(gains) made on investments	21,413	(21,124)
	969	(2,660)
Decrease/(increase) in other debtors	133	(134)
(Decrease)/increase in creditors, accruals and performance fee provisions	(1,738)	1,730
Net taxation suffered on investment income	(115)	(44)
Net cash outflow from operating activities	**(751)**	**(1,108)**

Notes to the Financial Statements

continued

16. RELATED PARTIES

The following are considered to be related parties:

- Frostrow Capital LLP
- The Directors of the Company

Details of the relationship between the Company and the Company's AIFM are disclosed in the Strategic Report on page 25. Details of fees paid to Frostrow by the Company can be found in note 3 on page 74. All material related party transactions have been disclosed in note 3 on page 74. Details of the remuneration of the Directors can be found in note 4 and in the Directors' Remuneration Report starting on page 54. Details of the Directors' interests in the capital of the Company can be found on page 55.

The balance outstanding to Frostrow at the year end was £20,000 (2021: £23,000). No balances were due to the Directors (2021: nil).

17. FINANCIAL INSTRUMENTS

Risk management policies and procedures

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

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

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

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

(ii) liquidity risk

(iii) credit risk

These risks and the Directors' approach to the management of them, are set out in the Strategic Report on pages 28 to 30. The AIFM, in close co-operation with the Board and the Portfolio Manager, co-ordinates the Company's risk management.

(i) Other price risk

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

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

17. FINANCIAL INSTRUMENTS continued

Other price risk sensitivity

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

If market prices at the date of the Statement of Financial Position had been 25% higher or lower while all other variables had remained constant: the revenue return would have decreased/increased by £46,000 and £57,000 respectively (2021: £66,000 and £81,000 respectively); the capital return would have increased/decreased by £18,199,000 and £19,009,000 respectively (2021: £24,450,000 and £24,389,000 respectively); and, the return on equity would have increased/decreased by £18,152,000 and £18,953,000 respectively (2021: £24,384,000 and £24,309,000 respectively). The calculations are based on the portfolio as at the respective dates of the Statement of Financial Position and are not representative of the year as a whole.

(ii) Foreign currency risk

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

Foreign currency risk is monitored in conjunction with other price risk as described above. The Portfolio Manager uses foreign currency forwards to hedge the foreign currency risk. As at 31 December 2022, approximately 50% of the Company's euro and US dollar exposures were hedged.

Foreign currency exposure

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

	2022				2021			
	Investments £'000	Derivatives* £'000	Current assets £'000	Net £'000	Investments £'000	Derivatives £'000	Current assets £'000	Net £'000
U.S. dollar	69,885	(37,329)	2,003	34,560	102,158	(48,015)	1	54,144
Euro	16,074	(6,680)	68	9,462	15,806	(8,400)	49	7,455
Other	–	–	44	44	–	–	38	38
	85,959	(44,009)	2,115	44,066	117,964	(56,415)	88	61,637

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

Foreign currency sensitivity

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

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

	2022					2021				
	USD £'000	EUR £'000	Other £'000	Impact on NAV £'000	%	USD £'000	EUR £'000	Other £'000	Impact on NAV £'000	%
Sterling depreciates	3,840	1,051	5	4,896	5%	6,016	828	4	6,848	5%
Sterling appreciates	(3,142)	(860)	(4)	(4,006)	(4%)	(4,922)	(678)	(3)	(5,603)	(4%)

Notes to the Financial Statements
continued

17. FINANCIAL INSTRUMENTS continued
(iii) Interest rate risk
Interest rate changes may affect:

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

– the fair value of investments in fixed interest securities.

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

	2022 Fixed rate £'000	2022 Floating rate £'000	2021 Fixed rate £'000	2021 Floating rate £'000
Cash	–	6,061	–	878
	–	6,061	–	878

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 2022 and the net assets would increase/decrease by £61,000 (2021: £9,000).

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

The main liquidity requirements the Company may face are its commitments to the investments in limited partnership funds, as set out in note 19 on page 85. These commitments can be drawn down on 3 or 10 days notice. Having reviewed the nature of the investment and the track record of the underlying mandate for the most significant commitment, to TCI Real Estate Fund III Limited, the Board consider that it will be drawn down gradually over the life of the investment and as such poses a low risk to the liquidity of the Company. Frostrow and/or the Portfolio Manager are in regular contact with the managers of the limited partnership funds, as a part of which they would be made aware of, and plan accordingly for any drawdowns under those commitments.

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

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

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

17. FINANCIAL INSTRUMENTS continued

Credit risk exposure

	2022 £'000	2021 £'000
Derivative financial instruments	4,200	224
Current assets:		
Other receivables	104	218
Cash	6,061	878

(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 70.

At 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	76,945	–	16,864	93,809
Derivatives	–	4,200	–	4,200

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

Level 3 investments at 31 December 2022

	Cost '000	Value £'000	Ownership	Valuation basis
Helios Co-Invest LP[1]	US$4,458	10,672	4.73%	NAV
KKR Aqueduct Co-Invest LP[2]	£4,000	4,646	1.15%	NAV
TCI Real Estate Partners Fund III Ltd	US$1,715	1,546	1.18%	NAV

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

Level 3 investments at 31 December 2021

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

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

During the year, the Company realised a gain of £1,023,000 (2021: £996,000) on Helios Co-Invest LP after receiving a distribution of £2,003,000 (2021: £2,034,000) in relation to the disposal of a portfolio of X-ELIO's operating assets in Mexico (2021: Spain). Helios Co-Invest LP remained the largest unquoted investment of the Company as at 31 December 2022.

Notes to the Financial Statements
continued

17. FINANCIAL INSTRUMENTS continued

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

WCP Growth Fund LP has been dissolved during the year and no distributions were received by the Company.

If a 25% discount to NAV was applied to the NAV of the level 3 investments as at 31 December 2022, the impact would have been a decrease of £4,154,000 (2021: £3,512,000) in net assets and the net return for the year.

(vii) Capital management policies and procedures

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

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

The capital structure of the Company comprises the equity share capital (ordinary shares), retained earnings and other reserves as disclosed on the Statement of Financial Position on page 68.

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

- the planned level of gearing, which takes into account the Portfolio Manager's view of the market;
- whether to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share;
- whether to issue new equity shares; and,
- the extent to which revenue in excess of that required for distributions should be retained.

18. CAPITAL RESERVE

	2022 Capital Reserve			2021 Capital Reserve		
	Other £'000	Investment Holding Gains £'000	Total £'000	Other £'000	Investment Holding (Losses) /Gains £'000	Total £'000
At 1 January	7,347	38,649	45,996	2,366	25,534	27,900
Net (losses)/gains on investments	(12,655)	(8,758)	(21,413)	8,009	13,115	21,124
Expenses charged to capital	387	–	387	(3,028)	–	(3,028)
At 31 December	(4,921)	29,891	24,970	7,347	38,649	45,996

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

19. FINANCIAL COMMITMENT

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

	Sterling Commitment	Local currency Commitment	Notice of drawdown
Helios Co-Invest LP	£52,000	US$62,000	3 business days
TCI Real Estate Partners Fund III Limited	£2,855,000	US$3,434,000	10 business days

20. THE COMPANY

The Company is a public limited company (PLC) incorporated in England and Wales. Its principal activity is that of an investment trust company within the meaning of sections 1158/1159 of the Corporation Tax Act 2010 and its registered office and principal place of business is 25 Southampton Buildings, London, WC2A 1AL.

21. POST BALANCE SHEET EVENT

As shown on page 12, the Company has a co-investment with KKR in X-ELIO, held through Helios Co-Invest LP ("Helios"). As at 31 December 2022, the Company had a 4.73% holding in Helios (Note 17), which translates into an effective holding of 0.97% in X-ELIO. On 21 March 2023, KKR announced that it had reached an agreement to sell its 50% stake in X-ELIO to Brookfield Renewable, which owns the remaining 50%. As at the approval date of this Annual Report, the exact deal terms are yet to be confirmed but once finalised the impact will be reflected in the Company's daily NAV announcements to the stock exchange.

Shareholder Information

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Menhaden Resource Efficiency PLC will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on 21 June 2023 at 12 noon.

Share Prices

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

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Link Group (contact details on page 98), under the signature of the registered holder.

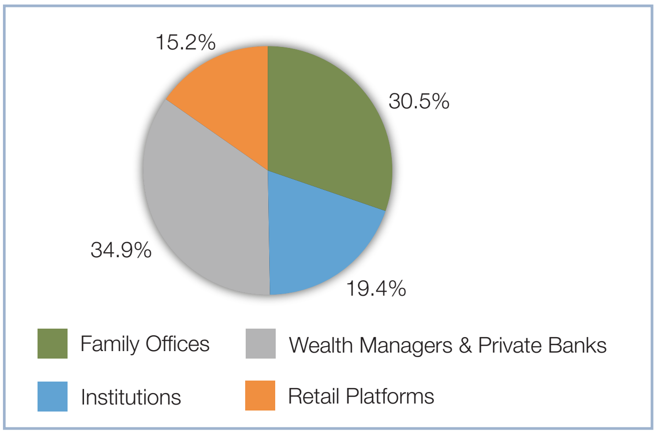
Net Asset Value

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

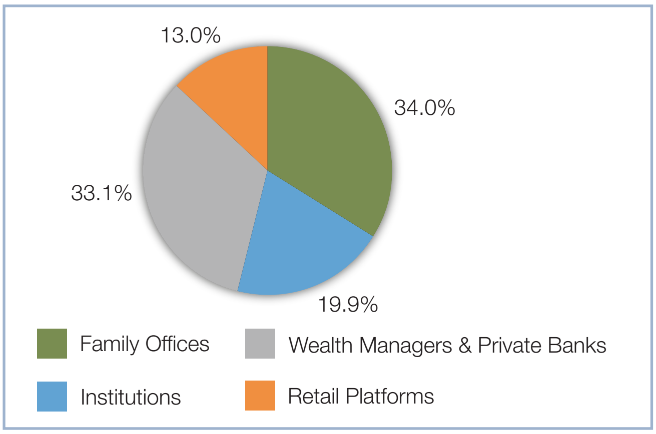
Profile of the Company's Ownership

% of ordinary shares held at:

31 December 2022



31 December 2021



Glossary

Alternative Investment Fund Managers Regulations ("UK AIFMD")

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

Compounding Hurdle

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

Discount or Premium

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

Gearing

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

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

High Watermark

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

Leverage

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

Net Asset Value ("NAV")

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

Glossary
continued

NAV Total Return (APM)

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

	31 December 2022	31 December 2021
Opening NAV	155.7p	132.7p
(Decrease)/increase in NAV	(25.9)p	23.0p
Closing NAV	129.8p	155.7p
% (decrease)/increase in NAV	(16.6%)	17.3%
Impact of dividend reinvested	0.1%	–
NAV total (loss)/return	(16.5%)	17.3%

Share Price Total Return (APM)

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

	31 December 2022	31 December 2021
Opening share price	112.0p	99.0p
(Decrease)/increase in share price	(23.0)p	13.0p
Closing share price	89.0p	112.0p
% (decrease)/increase in share price	(20.5%)	13.1%
Impact of dividend reinvested	0.2%	–
Share price total (loss)/return	(20.3%)	13.1%

Ongoing Charges (APM)

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

	31 December 2022 £'000	31 December 2021 £'000
Total Expenses	2,018	2,138
Average NAVs	111,560	117,721
Ongoing charge ratio	1.8%	1.8%

How to Invest

Retail Investors Advised by IFAs

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

Investment Platforms

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

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

How to Invest

continued

Risk warnings

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

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Menhaden Resource Efficiency PLC will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL on Wednesday, 21 June 2023 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 2022, including the financial statements and the directors' and auditor's reports thereon.

2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2022.

3. To declare a final dividend of 0.4p per ordinary share for the year ended 31 December 2022.

4. To elect Soraya Chabarek as a Director of the Company.

5. To re-elect Sir Ian Cheshire as a Director of the Company.

6. To re-elect Barbara Donoghue as a Director of the Company.

7. To re-elect Howard Pearce as a Director of the Company.

8. To re-appoint Mazars LLP as the Company's Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid, and to authorise the Audit Committee to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 10, 11 and 12 will be proposed as special resolutions:

Authority to Issue Shares

9. THAT, in substitution for all existing authorities, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal amount of £79,175 (or if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

10. THAT, in substitution of all existing powers, the Directors be and are hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 9 set out in the notice

Notice of the Annual General Meeting
continued

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

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

(b) (otherwise than pursuant to sub-paragraph (a) above) an offer or offers of equity securities of up to an aggregate nominal value of £79,175 (or if changed, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed) and expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to Repurchase ordinary shares

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

(a) the maximum aggregate number of Shares authorised to be purchased is 11,868,332 or, if changed, the number representing approximately 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;

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

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

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution unless such authority is renewed prior to such time; and

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

General Meetings

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

By order of the Board

Registered Office:
25 Southampton Buildings
London WC2A 1AL

Frostrow Capital LLP
Company Secretary
28 March 2023

Notice of the Annual General Meeting

continued

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, but must attend the meeting for your votes to be counted. Appointing the Chairman of the AGM as your proxy will ensure that your votes are cast in accordance with your wishes.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. Hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto www.signalshares.com and following instructions, requesting a hard copy form of proxy directly from the registrars, Link Group, via telephone on +44 (0) 371 664 0300 or by emailing shareholderenquiries@linkgroup.co.uk or, in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. To be valid any appointment of a proxy must be completed, signed and received at Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 12 noon on 19 June 2023.
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. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by Link. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by the latest time(s) for receipt of proxy appointments specified in this Notice in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
6. 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.
7. 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.
8. 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.
9. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered on the register of members of the Company (the "Register of Members") at close of business on 19 June 2023 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
10. As at 27 March 2023 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 79,175,001 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 27 March 2023 are 79,175,001.
11. 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.
12. 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 International Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting, excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. 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.
14. 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.
15. 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).
16. 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. 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.
17. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL.

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

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report

The Annual Report for the year ended 31 December 2022, incorporating the financial statements and this Notice of Meeting, will be presented to the Annual General Meeting (AGM).

Resolution 2 – Directors' Remuneration Report

It is mandatory for listed companies to put their report on Directors' remuneration to an advisory shareholder vote every year. The Directors' Remuneration Report is set out on pages 54 to 56 of this Annual Report.

Resolution 3 – Dividend

It is necessary for the Company to pay a dividend in respect of the year ended 31 December 2022 in order for it to retain investment trust status. Accordingly, the Board is recommending the declaration of a dividend of 0.4p per ordinary share, payment of which will afford compliance with the requirement for the Company to retain no more than 15% of the income from shares and securities in the year.

Resolutions 4 to 7 – Re-election and Election of Directors

Resolutions 4 to 7 deal with the re-election and election of the Directors. Biographies of each of the Directors can be found on pages 36 and 37 of this Annual Report.

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

Soraya Chabarek

Soraya brings leadership experience in asset management and broad exposure to fund strategies including global macro, equities, emerging markets, credit and convertibles, providing a strong basis for portfolio management challenge.

Sir Ian Cheshire

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

Barbara Donoghue

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

Howard Pearce

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

Resolution 8 – Re-appointment of Auditor and the determination of their remuneration

Resolution 8 is for the re-appointment of Mazars LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services, only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

Resolutions 9 and 10 – Issue of Shares

Ordinary Resolution 9 in the Notice of Annual General Meeting is to renew the authority to allot new ordinary shares up to an aggregate of 10% of the Company's existing issued share capital at the date of the Annual General Meeting). This authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting unless previously renewed.

When shares are to be allotted, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 10 will, if passed, give the Directors power to allot (and/ or sell from treasury) for cash equity securities up to the equivalent of

10% of the Company's existing share capital, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital that the Directors are seeking the authority to allot pursuant to Resolution 9. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 9 and 10 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11 – Share Repurchases

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

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 1 penny per share.

Special Resolution 11 in the Notice of Annual General Meeting seeks to renew the authority to purchase in the market a maximum of 14.99% of shares in issue (amounting to 11,868,332 shares at the date of this Annual Report). The authority (if granted) will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 12 – General Meetings

Special Resolution 12 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on 14 clear days' notice, which is the minimum notice period permitted by the Companies Act 2006. This is a routine resolution necessitated by the EU Shareholder Rights Directive, which has been transcribed into UK law.

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

Recommendation

The Board considers that the resolutions relating to the above items are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions, as the Directors intend to do in respect of their own beneficial holdings totalling 381,693 shares.

Company Information

Directors
Sir Ian Cheshire (Chairman)
Duncan Budge
Barbara Donoghue
Soraya Chabarek (with effect from 1 March 2023)
Howard Pearce

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

Website
Website: www.menhaden.com

Registered Office
25 Southampton Buildings
London WC2A 1AL

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

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

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

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

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

Corporate Broker
Numis Securities Limited
45 Gresham St
London
EC2V 7BF

Registrar
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL
Telephone: + 44 371 664 0300
E-mail: shareholderenquiries@linkgroup.co.uk
Shareholder Portal: www.signalshares.com
Website: www.linkgroup.eu
Please contact the Registrars if you have a query about a certificated holding in the Company's shares.
†Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday excluding public holidays in England and Wales.

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

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

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

Legal Entity Identifier
2138004NTCUZTHFWXS17

Investment scams are often sophisticated and difficult to spot

How to avoid investment scams

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

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

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

If you're suspicious, report it

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

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

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

FCA FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart Investor

aic
The Association of Investment Companies

A member of the Association of Investment Companies

Disability Act

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

Environment

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

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

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25 Southampton Buildings
London WC2A 1AL

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