Seneca Global Income & Growth Trust plc

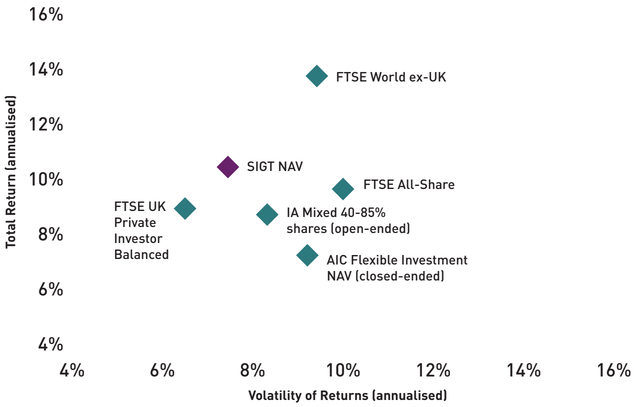
Annual Report and Accounts

30 April 2018

SENECA INVESTMENT MANAGERS | Multi-Asset Value Investing

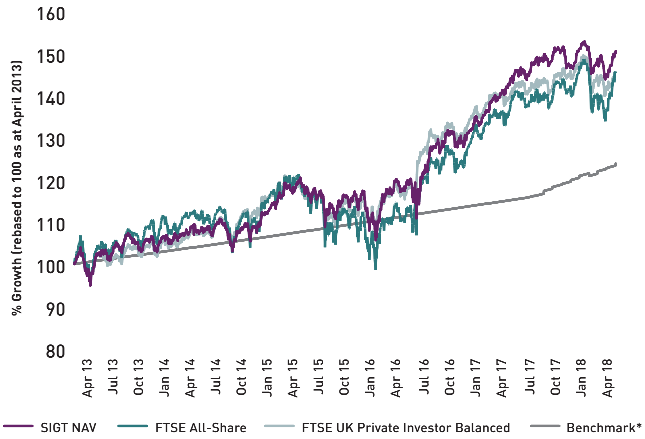
Seneca Global Income & Growth Trust plc

Chart 1 – Total Return and Volatility for the five year period ending 30 April 2018



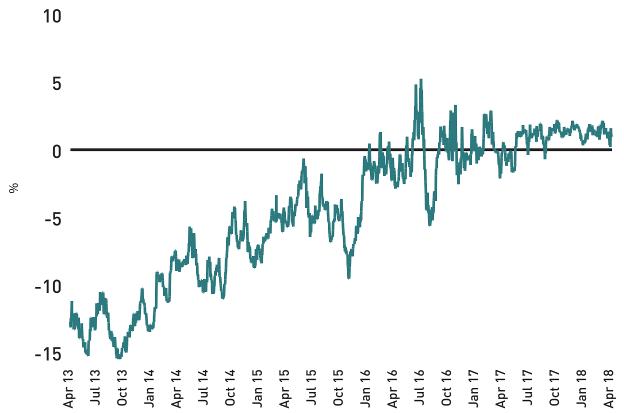
Source: Cantor Fitzgerald/Morningstar

Chart 2 – Cumulative Growth, NAV Total Return, GBP



Source: Cantor Fitzgerald/Morningstar

Chart 3 – Company Premium/(Discount)% (based on cum income NAV)



Source: Cantor Fitzgerald/Morningstar

Chart 4 – Dividend Growth† vs CPI

Source: Cantor Fitzgerald/Morningstar
† Financial Year Dividend

Total returns against comparator indices for periods to 30 April 2018

	1 Year %	Cumulative 3 Year %	5 Year %	Since 18.01.2012† %
SIGT NAV	5.7	27.6	50.1	86.5
SIGT Share Price	5.7	39.2	67.0	119.0
Benchmark*	7.7	15.5	23.8	30.0
AIC Flexible Investment Sector (unweighted)	4.2	21.4	30.9	44.5
FTSE UK Private Investor Balanced	4.8	23.2	45.4	69.2
FTSE All-Share Index	8.2	22.5	45.6	76.4
FTSE All-World Ex UK Index	7.8	42.5	80.6	121.4
FTSE Gilts All-Stocks Index	(0.8)	11.8	20.2	25.0

Sources: Cantor Fitzgerald/Morningstar

* The benchmark return is calculated using a blended return based on the benchmark of CPI +6% from 7 July 2017 and previously of LIBOR GBP +3%.

† Date of change of investment policy.

Seneca Global Income & Growth Trust plc

Our Objective

Over a typical investment cycle, the Company will seek to achieve a total return of at least CPI plus 6% per annum after costs with low volatility, and with the aim of growing the aggregate annual dividends at least in line with inflation, through the application of a Multi-Asset Investment Policy.

Contents

Financial Highlights

Performance

Percentage total return	1 year	Since 18/01/12††
Share price	+5.7%	+119.0%
Net asset value	+5.7%	+86.5%
Benchmark†	+7.7%	+30.0%

	30 April 2018	30 April 2017	% change
Total assets* (£'000)	89,027	76,780	+16.0
Total equity shareholders' funds (net assets) (£'000)	82,027	69,780	+17.6
Share price (mid market)	174.75p	171.50p	+1.9
Net asset value per share (cum income)	172.25p	169.04p	+1.9
Premium*	1.5%	1.5%	
Actual gearing*	1.00	1.05	
Potential gearing*	1.09	1.10	
Ongoing Charges ratio*	1.45%	1.61%	
Dividends and earnings			
Total return per share	8.86p	28.21p	
Revenue return per share	6.85p	6.78p	+1.0
Dividends per Ordinary share	6.38p	6.14p	+3.9
Revenue reserves (£'000)	1,540	1,287	

* A glossary of the terms can be found on page 52.

	Rate	xd date	Record date	Payment date
Fourth interim 2018	1.64p	31 May 2018	1 June 2018	22 June 2018
Third interim 2018	1.58p	1 March 2018	2 March 2018	23 March 2018
Second interim 2018	1.58p	23 November 2017	24 November 2017	15 December 2017
First interim 2018	1.58p	17 August 2017	18 August 2017	8 September 2017
Total	**6.38p**			
Fourth interim 2017	1.58p	18 May 2017	19 May 2017	9 June 2017
Third interim 2017	1.52p	16 February 2017	17 February 2017	10 March 2017
Second interim 2017	1.52p	24 November 2016	25 November 2016	16 December 2016
First interim 2017	1.52p	18 August 2016	19 August 2016	9 September 2016
Total	**6.14p**			

† The benchmark return is calculated using a blended return based on the benchmark of CPI +6% from 7 July 2017 and previously LIBOR GBP +3%.
†† Date of change to the Investment Policy.

Chairman's Statement

Highlights

- Net Asset Value total return +5.7% vs Benchmark +7.7%
- Share Price total return +5.7%
- Dividends for the year increased by 3.9% vs inflation of 2.4%
- A yield of 3.7% on the year-end share price
- Annualised volatility 5.7% compared with 9.2% for the FTSE All-Share Index
- Revised Investment Objective and Policy with effect from 7 July 2017
- Discount Control Mechanism – net issuance of £11.1m worth of Shares
- Shares traded at a small premium to Net Asset Value for almost all of the period

Performance

Seneca Global Income & Growth Trust plc ('SIGT' or 'the Company') generated a net asset value ('NAV') total return per share for the year of +5.7%, which is less than the Benchmark return of +7.7%, though returns are better judged over longer periods, and over three years these returns are +27.6% and +15.5% respectively. At the AGM held on 6 July 2017 Shareholders overwhelmingly approved a change to the Company's Investment Objective, and therefore its Benchmark, to "*Over a typical investment cycle, the Company will seek to achieve a total return of at least CPI plus 6% per annum after costs with low volatility, and with the aim of growing the aggregate annual dividends at least in line with inflation, through the application of a Multi-Asset Investment Policy.*" Prior to 6 July 2017, the Benchmark was 3-month LIBOR plus 3%, so that the actual Benchmark return for year (and over longer periods) is the result of 'chain-linking' these different Benchmarks together. In addition, certain changes to the Investment Policy were approved at the AGM that provided Seneca Investment Managers Limited ('SIML') with greater flexibility to achieve the new Investment Objective.

SIGT's NAV total return over the year compared reasonably well with some comparator indices, whose returns were: FTSE All-Share +8.2%, FTSE All-World ex-UK +7.8%, FTSE UK Private Investor Balanced +4.8%, and FTSE Actuaries UK Conventional Gilts All-Stocks -0.8%. The AIC Flexible Investment sector unweighted average NAV total return was +4.2% for the year.

The Manager's Review later in this Annual Report provides extensive and detailed analysis of the year's performance. I commend this to you as I do the Strategic Review wherein the Manager's Multi-Asset Value Investing philosophy is well explained, as is its approach to Asset Allocation.

Dividends

The Company will pay a fourth interim dividend of 1.64 pence per share (on 22 June 2018), which, when added to the three preceding interim dividends, produces total dividends of 6.38 pence per share for the year to 30 April 2018, an increase of 3.9% on the previous year's 6.14 pence. Inflation over the year to 30 April, as measured by the CPI, was 2.4%. It is the Board's intention, barring unforeseen circumstances, to at least maintain the quarterly dividend amount of 1.64 pence per share for the year to 30 April 2019 (aggregate dividends of 6.56 pence per share). On this assumption, the shares provided a yield of 3.7% on the share price of 174.75 pence that prevailed at the year end.

The aggregate annual dividends are well covered by earnings, which in turn are generated from a well-diversified range of sources.

Discount Control Mechanism ('DCM')

The Company's DCM became fully effective from 1 August 2016, and during the year it bought-in (to treasury) 1m shares and issued (including those re-issued from treasury) 7.34m shares, for a net issuance of 6.34m shares (worth £11.1m). The Board is delighted to have been able to demonstrate its commitment to the DCM by both buying-in and issuing shares. The liquidity and lack of discount volatility that the DCM provides is, the Board believes, of real value to Shareholders. If this expansion in the Company's size continues over time, it should lead to the reduction of the Ongoing Charges Ratio by spreading the fixed costs over a larger base. This has already been evident in the year, with an approximate 10% effective reduction in the Ongoing Charges Ratio (to 1.45% from 1.61%).

Gearing

On 1 November 2017, SIGT announced a new three year rolling debt facility, from the Royal Bank of Scotland, of £14m which represents an increase in size of the facility (from £11m) and an increase to its term (from two years). The actual average net gearing level for the period was approximately 5%. The increased facility has been put in place largely to assist with the operation of the DCM. This will enable gearing levels to be maintained as the DCM results in the issuance of new shares, and/or will provide short term working capital should shares be bought-in.

Investment Management Industry Regulation

In my Interim Statement of 1 December 2017, I reported to Shareholders (or rather, warned) that three elements of regulation were imminent that would impact the Company. These were: The Alternative Investment Fund Managers' Directive ('AIFMD'); the Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPs'); and, the Markets in Financial Instruments Directive II ('MiFID II').

On 4 April 2018, the Company announced it had successfully grown to a size that required it to comply with the full scope of the AIFMD. It has achieved this by appointing PATAC Limited (who were already the Company's Secretary and Administrator) as its Alternative

Investment Fund Manager ('AIFM'). PATAC in turn delegated portfolio management back to SIML. SIML has agreed to absorb the costs of the AIFM within its (otherwise unaltered) management fee. The Company also appointed J.P. Morgan Europe as its depositary who delegated the custody function to J.P. Morgan Chase Bank N.A.

PRIIPs came into force for all investment trusts on 1 January 2018. It introduced a new disclosure document known as a Key Information Document ('KID') that must be prepared and made available to retail investors before they invest. The purpose of the KID is to enable retail investors to compare different products across a common standard. The regulation sets down rules on the format and content of the KID and its provision to retail investors. There has been a good deal of concern expressed about the content of the KID by financial commentators, investors, other investment trust boards, and indeed, to a degree, regulators themselves. We believe there may be changes to how some of the content is displayed and await further guidance.

MiFID II came into force on 3 January 2018. While not directly impacting investment trusts, it has certainly impacted their managers, distributors and brokers. Perhaps the most important impact for many managers, is that the cost of obtaining research from brokers has been 'unbundled' within the overall commission payment for buying and selling investments. In turn, these research costs may (effectively) continue to be borne by the client (SIGT in this case) or paid for direct by the manager. SIML has agreed to bear such research costs. This will mean that commission costs for the Company are lower going forward.

Investment Outlook

This time last year, a (snap) General Election was imminent making my 'Outlook' even more difficult than usual. Its result was unexpected by most and has caused concern and uncertainty for many. Brexit looms inexorably closer though its form remains unclear, causing yet more concern and uncertainty. An old proverb goes 'it is difficult to make predictions, especially about the future'! In most environments, and perhaps especially the current one, we believe the Company's Multi-Asset Value Investing Investment Policy is attractive. It provides transparent and straightforward exposure to a range of assets, which should provide reasonable, relatively low volatility (i.e. lower risk) returns over the medium to long term.

Annual General Meeting ('AGM')

Last year's AGM was held in London and all resolutions were passed by a majority of over 99% of shares voted. These resolutions included changes to the Company's Investment Objective and Policy, its Continuation, and its Dividend Policy, as well as authority to buy-in up to 14.99% of the outstanding shares and to issue new shares for cash on a non pre-emptive basis equivalent to up to 20% of the outstanding shares. These buy-in and issuance authorities are essential to enable the DCM to operate.

Shareholders will be aware of the Company's General Meeting ('GM') held on 28 March 2018, which sought permission to issue up to a further 10% of the Company's shares on a non pre-emptive basis, following the success of the DCM. The resolution was also passed by a majority of over 99% of shares voted. Shareholders' support is much appreciated by the Board.

At this year's AGM, some new resolutions will be proposed. All the Directors will stand for re-election, as they will do annually henceforth, believing this to be best practice. The Company's Articles have been reviewed and require some updating to reflect regulatory changes as well as aspects of best practice.

The annual Continuation Vote will be proposed in the usual way, and so is another resolution, to seek Shareholders' approval to remove this requirement from the Articles and therefore, going forward. The Board believes the DCM is now well established and makes a Continuation Vote unnecessary given the liquidity the DCM provides. The Board has observed a steady shift in the type of Shareholder owning the Company's shares towards those investing via a platform and/or via an advisor. The Board welcomes this but is concerned that few such Shareholders vote, or have the chance to vote, their shares producing a declining turnout for (Annual) General Meetings. In turn this could give a relatively small shareholder an undue influence and cause mischief over a Continuation Vote. Shareholders will hopefully appreciate that the Board governs the Company for the long term though should the DCM be suspended or withdrawn for any reason in the future, then the Board would seek engagement with Shareholders and explore the possible re-instatement of a Continuation Vote.

As noted, at last year's AGM, Shareholders approved the issue of new shares for cash on a non pre-emptive basis equivalent to up to 20% of the outstanding shares and a further 10% at the GM held in March to meet the demands of the DCM. Shareholders therefore approved 30% in aggregate over the year though there was an extra expense incurred to hold the GM. It seems sensible to the Board therefore to ask Shareholders to approve two separate resolutions concerning the issue of shares, at the forthcoming AGM. The first resolution seeks permission to issue 10%, and the second (extra) resolution seeks permission to issue up to a further 20% solely in connection with the DCM; resulting in an aggregate of 30%. The Board believes this approach to seeking non pre-emption authorities is novel and whilst the aggregate authority sought is higher than that recommended by corporate governance guidelines, the Board believes it is Shareholder friendly as it facilitates the efficient and cost effective operation of the DCM. The Board believes separating the resolutions gives voice to those Shareholders who may be happy to approve the 10% resolution but not the 20% extra resolution. Should such discontents prove to be sufficient in number, the first resolution may pass but not the extra one, but that would still allow the Company to operate share issuance under the DCM, at least with some capacity. The Board acknowledges that some Shareholders are concerned about their ownership percentage in the Company being reduced, even if slightly, via non pre-emptive share issuance. However, increasing the size of the Company via the DCM, adds value for Shareholders in two ways: new shares are issued at a small premium to NAV thereby enhancing NAV per share; and, as the Company grows in size that should lead to the reduction of the Ongoing Charges Ratio by spreading fixed costs over a larger base.

The Board appreciates some of the resolutions put forward at this year's AGM may be a little unusual, and so I encourage any Shareholder with questions to contact me directly at the email address: richard.ramsay@senecaim.com. This year's AGM will be held in Liverpool on Friday, 13 July 2018 and the Directors and Manager would be delighted to meet as many Shareholders as possible. The Board believes that all the Resolutions are in the best interests of the Company and its members as a whole, and strongly recommends that Shareholders vote in favour of all of the resolutions as the Directors intend to do in respect of their own beneficial shareholdings of 320,810 shares.

Richard Ramsay
Chairman
7 June 2018

Manager's Review

Overview

The year under review saw the Company post a respectable NAV total return of +5.7%. This is lower than in recent years but reflects the poorer returns from financial markets. The Company's positive performance in relation to financial markets came from both asset allocation, as well as selection effect in two of the four main asset classes in which it invests.

Equity markets across the world were strong for the first nine months of the financial year. Then February and March saw declines which rather took the shine off what had been building up to be a good year. Safe haven bond yields saw big increases in the latter part of 2017 and the first month or two of 2018. This was on the back of improving global growth prospects, which also caused the price of oil and industrial metals to rise sharply.

While the previous year had seen global economic growth disappoint somewhat, the year under review saw economic growth in both developed and emerging countries rising from the lows of 2016. In the US, Europe and Japan, the rate of GDP growth accelerated by around 1 percentage point between Q4 2016 and Q4 2017. Bucking the positive trend was the UK, where growth slipped from 2.0% in the prior year to 1.4% in the current year. Economic growth in China appeared to stabilise following years of declines, while there were also encouraging signs in Russia, Brazil and India.

The strong economic growth meant that unemployment rates continued to fall. Rates across the developed world were considerably lower at the end of the year than at the beginning, while the emerging world also saw declines in joblessness (notably, the unemployment rate in Brazil which had hit 13.7% in mid 2017 was down at 13.1% by March 2018).

Unemployment rates in the US and the UK are now close to lows seen during the last 50 years or so. Unemployment is lowest in Japan – 2.5% – but this must be put into the context of rates that have in recent decades been as low as 1%. At 8.5%, unemployment in Europe is still very high but may not have as far to fall as the absolute number suggests – pre-Great Financial Crisis (GFC), the rate only got as low as 7.2% compared with 4-5% in other major developed economies.

Improving job markets led to rising wages. Wage growth in major developed countries was higher at the end of the year than at the beginning, and noticeably higher than it had been five or so years ago. For example, wage growth in Japan hit 1.3% year on year in February this year. This may not sound like much, until one appreciates that back in 2012 wages were falling by 2% year on year.

This rising wage growth appeared to feed through to consumer price inflation during the year. Core inflation (not including food and energy) was higher in March 2018 than in March 2017 in the case of all four of the key developed countries and regions mentioned. Inflation trends across the emerging world were also positive, although in some cases (Mexico) this meant that it fell from elevated to more manageable levels. It is interesting to note that as of March, inflation in six key emerging countries ranged from 2 to 5%. This compares with 1 to 16% back in 2015, and of course a much wider range in years gone by when emerging countries were often known for very high rates of inflation. The narrow range is a welcome development and perhaps a sign that the emerging world is coming of age.

As for monetary policy, the financial year saw the UK join the US as the only two economies to start raising interest rates this cycle. The Bank of England raised its base rate, from 0.25% to 0.5%, for the first time in almost ten years, while the US raised its Fed Funds rate a further three times, the latest being an increase to 1.75%. Elsewhere, the European Central Bank lowered bond purchases from €60 billion to €30 billion per month but extended the program at least until September 2018. There is little indication that the Bank of Japan would end its bond buying program any time soon, but the reappointment of governor Kuroda for a second term at least provided some reassurance that a dovish policy would remain in place.

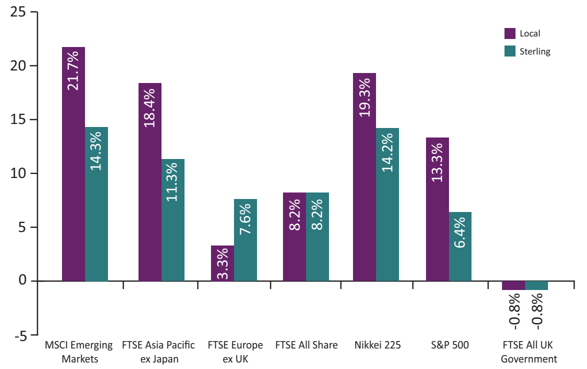
Despite statements by Bank of England governor Mark Carney early in 2018 suggesting markets should expect interest rate increases sooner rather than later, weak growth and inflation data announced in April forced him to soften his line. The added headache of Brexit certainly continued to make Carney's job a particularly challenging one.

As for financial markets, the year under review was notable for the reversal in the US dollar. Since the middle of 2014 when then US Federal Reserve Chairman Ben Bernanke announced the end of the US bond buying program, the dollar had risen by nearly 30%, as measured by the US dollar index. It then started to level off in the first quarter of 2017, since when it has declined by 10%. It is not clear whether this decline was the result of anticipated fiscal expansion, or the prospect of tighter monetary policy in other jurisdictions. Perhaps it was a combination of the two, with some mean reversion thrown in.

Whatever the reason, the stronger global growth and inflation saw bond yields, particularly in the US, rise materially over the year (though in Japan's case this was from zero to very slightly more than zero). Interestingly, the rise appeared to be solely due to higher inflation expectations as real long-term yields barely moved. Real long-term yields still have a long way to go to get back to where they were pre-crisis, let alone where they were 20 years ago.

In regard to equities, they were generally very strong throughout the year but then ran out of steam at the beginning of February. After recovering somewhat towards the end of the month – there had been no apparent reason for the falls other than weariness – they then fell again in March following the ratcheting up of trade tariff threats by US President Donald Trump.

Major financial market total returns
for the 12 month period to 30 April 2018



Source: Morningstar/Cantor Fitzgerald. Total returns expressed in sterling and local currency

Performance

Overall, the Company's investment performance for the year was respectable in light of the performance of financial markets generally.

Asset allocation contributed 0.4 percentage points to relative performance. Notably, in August of 2017, the Company moved to a zero weighting in underperforming US equities, and was heavily positioned in outperforming Asia ex-Japan equities. In fixed income, the Company's zero exposure to poor-performing safe haven bonds contributed positively.

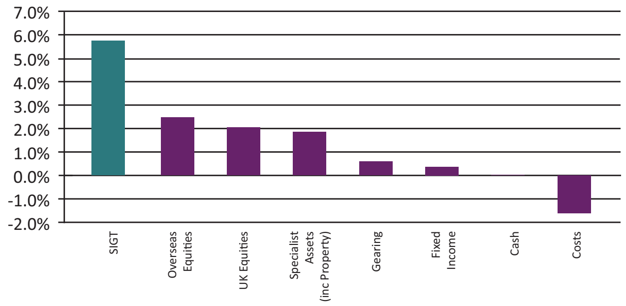
On the selection front, the Company's UK equity portfolio detracted from performance. This was largely due to the underperformance of mid-cap stocks, where your Manager has a focus, in relation to their larger counterparts. The Company's overseas equity portfolio posted a total return for the year of 9.5%, compared with 7.8% for the FTSE All-World ex-UK index. Holdings in Japan and Europe, where the Company was overweight, did particularly well in relation to their underlying markets. In fixed income, positive contribution from selection came from corporate bonds and emerging market debt, where the Company's holdings outperformed their underlying indices.

As for specialist assets, the Company's holdings in AJ Bell and Aberdeen Private Equity Fund combined to contribute 1.6 percentage points to performance. It was decided to increase the carried value of AJ Bell during the year, from £7.00 to £8.30 given strong business performance. The Aberdeen Private Equity Fund announced that it would be selling its entire portfolio and distributing proceeds to investors. This led to an immediate closing of the discount and helped the investment return 26% to the Company. On a negative note, the Company's holding in the Assured Fund slipped throughout the year and was further written down at the year end. It is becoming clearer that the cost of servicing the Fund's holdings in life policies is rising, resulting in persistent decay of net asset value. Nevertheless, selection effects overall for specialist assets were positive in spite of this difficult holding.

The Company's NAV total return for the year of 5.7% was behind that of the blended old and new benchmarks that pertained over the year, which equated to 7.7%. However, this must be considered in the context of the somewhat soggy performance of financial markets, as well as the fact that your Manager seeks to achieve the target over an entire investment cycle, not just one year. As in previous years, the return was delivered with a level of volatility that was significantly below that of the FTSE All-Share Index.

One of the primary objectives for your Manager is to provide shareholders with a good dividend that over time at least rises in real terms. Income from the portfolio is generated from a diversified range of assets, where security of income and scope for this income to rise are major focuses of the investment approach. It is therefore pleasing to report that dividends declared to shareholders grew by 3.9% this year, which compares favourably with UK CPI inflation of 2.4%. This uplift in dividends marks the fifth consecutive year of rises above the rate of inflation, which has been achieved whilst also providing for increases in the Company's revenue reserve in each of these years.

Contribution analysis by asset class
for the 12 month period to 30 April 2018



Source: Seneca Investment Managers StatPro

Contribution analysis by individual holdings
in the 12 month period to 30 April 2018

Top 6 positive Contributors	Asset Class	Contribution to Return
AJ Bell Holdings Limited	Private Equity	+1.14%
CC Japan Income & Growth Trust	Japan	+0.57%
Senior	UK Equities	+0.54%
Bovis Homes Group	UK Equities	+0.53%
Victrex	UK Equities	+0.52%
Conviviality	UK Equities	+0.48%

Bottom 6 negative Contributors	Asset Class	Contribution to Return
Assured Fund	Specialist Financial	-0.54%
Ultra Electronics Holdings	UK Equities	-0.44%
Marston's	UK Equities	-0.30%
Marks & Spencer	UK Equities	-0.25%
Kier Group	UK Equities	-0.21%
BT	UK Equities	-0.18%

Source: Seneca Investment Managers/StatPro. Private equity is a component of specialist assets.

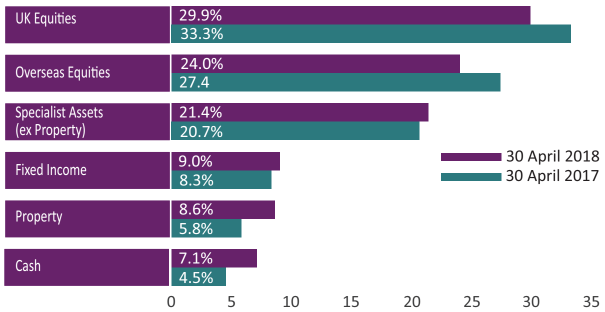
The broad ranging nature of portfolio returns during the year is well demonstrated by the list of holdings making the largest contributions, with three of the four sub asset classes in which the Company invests represented.

Asset Allocation
All weights expressed as a percentage of total assets

Although your Company is a multi-asset fund, its strategic asset allocation is somewhat more growth oriented compared with other trusts in its peer group. The strategic asset allocation, now decided by the Manager, is weighted as follows: 35% in UK equities, 25% in overseas equities, 25% in specialist assets, and 15% in fixed income. As of the end of the review period, the tactical asset allocation targets in the four segments were 30.0%, 25.0%, 30.1%, and 9.2% respectively, with a cash target of 5.7%, though with drawn down debt representing 7.9%, the net debt target is 2.2% (note that these are targets and thus may vary from the actual numbers in the below chart).

Portfolio asset allocation

comparison between 30 April 2017 and 30 April 2018 (actual positions)



Source: Seneca Investment Managers

The most significant change in asset allocation (vs strategic asset allocation) over the year was a decrease in the equities target from an overweight of 1 percentage point to an underweight of 5 percentage points. This reduction was made progressively throughout the year in six steps of 1 percentage point each. The first three took the US and Japan down by 1.5 percentage points each (in the case of the US to zero), while the latter three all pertained to the UK. The six reductions in the equity target were in line with the road map we had previously set out (for a 1 percentage point reduction in equities every two months for the next couple of years or so). The rationale for the reductions was that the global economy was moving into the expansion phase of the business cycle, and thus lower returns from equities should be expected. At the same time, rising markets meant also that valuations were becoming less compelling.

As mentioned, most of the 6 percentage point reduction in the equities target came in the US and the UK. These are the only two major developed economies that have started to increase interest rates, an indication that they are closer to the end of their business cycles than Japan and Europe.

The last two reductions in the UK equities target saw the Company start to use an enhanced income fund, the Insight UK Equity Income Booster. Selling UK equities that yield around 4% and reinvesting half the proceeds in the Insight Fund that yields around 8% allows the Company to reduce its equity exposure but to maintain its income generating capacity.

Elsewhere, the fixed income target was increased from 8.2% to 9.2% (in corporate bonds) while the specialist assets target was increased from 27.0% to 29.4% (in property, private equity, specialist financial and infrastructure). As a result of the various target changes noted, the cash target rose from 2.8% to 5.7%.

UK Equities

There were two new purchases and two outright sales in the UK equity portfolio during the review period. Outside of these, there were a number of small tweaks in target weightings that related either to asset allocation reductions or holding reductions to fund the two new purchases.

The new purchases were Babcock International ('Babcock') and the aforementioned Insight Equity Income Booster, though the latter was not a new stock idea as such but a way as mentioned of generating income for the portfolio. The two outright sales were Intermediate Capital Group and Conviviality.

Babcock was added to the portfolio in September. It had we felt been unjustifiably tarnished with the same brush as other support service companies that had experienced difficulties such as Capita, Interserve, Mitie and Serco. This had led to a material de-rating of Babcock that provided an opportunity to invest in a well-run business with good long-term growth prospects. In contrast to the aforementioned businesses, Babcock's offering involves highly skilled labour and considerable technological know-how that is applied in heavily regulated and often secretive industries such as nuclear and defence. Labour is often in short supply and as a result, barriers to entry are relatively high. For example, many of Babcock's employees have military clearance and individual nuclear licences.

On simple valuation metrics, Babcock had de-rated materially, from as high as 13x EV/EBITDA to below 8x. The dividend yield was also at an all-time high.

Babcock provides highly skilled engineering support and specialist training, in order to help clients improve the capability, reliability and availability of their critical and often complex infrastructure assets. These assets typically operate in highly regulated environments. Innovation enables the company to improve service delivery through the life of contracts, helping the group achieve a 90% customer retention rate. Half of group revenue is generated from defence markets.

Babcock's biggest client is the UK government. Over 80% of all work is carried out on behalf of the public sector and 75% of all work is undertaken in the UK. The group is focussed on expanding internationally and recently became the first non-US company selected to supply a critical component for America's nuclear submarine missile tube programme. Babcock had also recently won several contracts in France.

The company's balance sheet is not stretched, with net debt to EBITDA forecast to come in at around 1.7x for the year and 1.1x by 31 March 2019. The company intended to continue deleveraging and at the time of purchase was not pursuing any large acquisitions. Net cash flow from operations covered cash net interest expense by over 12x, a ratio that is expected to rise further.

The overall outlook for Babcock is positive, supported by a large order book standing at £19bn and a bidding pipeline of £10.5bn. At the time of publishing the 2017 Annual Report & Accounts, the combined order book provided 76% revenue visibility for 2018 and 52% revenue visibility for 2019. Recurring revenues are high as a result of the company regularly achieving a greater than 90% success rate on contract renewals.

Intermediate Capital Group was exited in October. It was a reasonably good business that still had scope for growth. Alternative assets had been playing an increasing role in investment portfolios and almost all money under management was in "stickier" closed end vehicles. The valuation, however, had increased substantially in recent years. Having yielded as much as 6% at times in 2014, the yield had come down to just 3%.

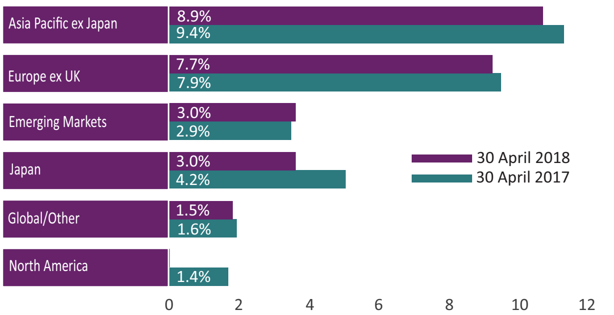
Conviviality was exited in November, having only entered the portfolio in January 2017. Although the holding had performed very well, rising by around two thirds, governance issues caused us to lose confidence in the company. The first issue was an EPS misstatement earlier in the year. This was then followed by another misstatement relating to revenue calculation and the departure of the finance director. As a result, we decided to sell the holding. Although we did not feel that the stock was particularly expensive, the strong performance had certainly pushed the valuation up. Following our exit, the company made further negative announcements. The most recent one related to a large tax liability that had not been accounted for, resulting in the stock being suspended.

Overseas Equities

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

Movement in Overseas equity allocations

over the 12 month period to 30 April 2018



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

Most of the target changes in overseas equities related to asset allocation decisions. The exit of Cullen Global North American High Dividend Value Fund was required to facilitate a move to a zero weighting in US equities. Similarly, the reductions in the Michinori Japan Equity Fund and Coupland Cardiff Japan Income and Growth Trust related to asset allocation reductions.

However, there were three target changes of note that did not relate to asset allocation decisions.

The first of these came in November and related to the decision to add Samarang Asian Prosperity Fund ('Samarang') (previously called Halley Asian Prosperity Fund) at the expense of Aberdeen Asian Income Fund. The manager, Greg Fisher, uses traditional value investing techniques applied to small cap regions of the Asian markets, where companies with no analyst coverage and very little buy-side interest can be found. The portfolio has a large allocation to Vietnam. In recent years, some of the larger listed businesses in the country have become popular with institutional investors. Samarang however, fishes in a different pond, focusing on the smaller cap end of the market. Here, the manager can find high return on equity operations trading at significant discounts to conservative estimates of the net asset valuation of the business. Samarang also pays a circa 4% distribution annually.

The second came in January and related to the decision to add HMG Global Emerging Markets Equity Fund to the portfolio, at the expense of the Company's two emerging markets holdings, Magna Emerging Markets Dividend Fund and Somerset Emerging Markets Dividend Growth Fund. The team at HMG focuses on a proprietary universe of emerging market listed subsidiaries of multinational developed market businesses. The oversight of a parent company within the emerging markets offers commercial advantages such as brand and extensive industry know how. Subsidiaries are also often set up to sell goods and services in the country in which they are listed, providing us with genuine exposure to the domestic growth within the emerging market regions. Whilst purchasing a portfolio of good quality businesses with attractive growth prospects is appealing, the real attraction to the fund is the approach of HMG. Portfolio construction is completely index agnostic and the team employs a value philosophy, buying subsidiaries in their universe when they trade at substantial discounts to intrinsic value and are out of favour with other investors.

The third change came in February and related to the decision to add a new fund in Asia, at the expense of Aberdeen Asian Income Fund and Schroder Asian Income Maximiser. At the time of writing, we are still in the process of setting up the new fund for purchase, so will write about it in the Interim Report. Suffice to say the manager is a value investor who operates a high conviction approach.

Specialist Assets (including Property)

We made three significant target changes in specialist assets during the year, though one of these, the exit of Aberdeen Private Equity Fund, was forced on us by it being wound up. The other two pertained to one new purchase and one outright sale.

In May, we added PRS REIT to the portfolio. This was the first Private Rental Sector (hence "PRS") REIT to be listed on the London market. The REIT owns newly built family homes in developments that are predominantly in the regions, which it then rents out. The investment rationale is that housing is unaffordable to own for large sections of society. There has been a significant undersupply of new housing in recent years and an expected 10% growth in the population over the next 15 years is making this a hard problem to solve. The government is keen to address this issue and in a White Paper has proposed further support and incentives for institutional investment in the PRS sector.

The REIT targets a 6% dividend yield and total returns of 10% per annum. This will be achieved through investment in portfolios, typically, of two, three and four bed family homes on either solely PRS sites or, in the cases of larger sites, mixed ownership but with the PRS properties located together (to make maintenance easier).

It is hard to view industry prospects as anything other than strong. The government is desperate to get more housing built and for land to be freed up to enable that supply. The structural shortfall of good quality modern family accommodation means that even if the owner-occupier housing market itself suffers a downturn, rental income will not necessarily be hit. Indeed, it could be argued (and indeed was demonstrated in the GFC) that when households are unable to buy property for one reason or another, they elect to rent (thereby increasing demand for rented properties which in turn supports rental income). There are no other teams carrying out this activity on this scale. Consequently, the economies of scale benefit housebuilder and REIT alike.

The other target change related to the decision to exit Civitas Social Housing ('Civitas') in February. One of Civitas' key housing association partners, First Priority Housing Association (FPHA), announced that it was owed money by private care providers and local authorities. Although these debts pertained to assets outside Civitas' portfolio, they had created a cash flow problem for the housing association as a whole.

We had noted that Civitas had been quick to announce small purchases of assets that in themselves were fairly immaterial but had not filed an announcement with the London Stock Exchange about the FPHA difficulties until three weeks after the disclosure on the Housing and Communities Agency website. We would prefer to invest with teams that are more conservative, and quick to respond to any news or development that might be construed as negative.

Fixed Income

The only changes in fixed income were the two 0.5 percentage point increases in target in the Royal London Short Duration Global High Yield Bond Fund. Both increases were related to reductions in overseas equities targets and the desire to put cash to work. Given our views on global growth and inflation, we are keen to limit exposure to duration risk but happy to maintain or increase exposure to credit risk. Short duration high yield thus fits the bill as it satisfies both requirements.

Outlook

It is nearly ten years since the GFC and the current cycle is becoming long in the tooth. To some extent, this cycle should be longer than average, given the severity of the 2009 downturn – the worse the damage, the longer the recovery time. However, the global economy appears to have finally reached escape velocity and is now starting to show signs of entering the final stage of the cycle.

Unemployment is close to or nearing 50-year lows across the developed world. Rising inflation will result. Having said that, there may be reasons why the final phase of the cycle may also be extended. In the US, the participation rate remains very low so improving job prospects may persuade those who had perhaps reluctantly left the workforce to return. This has the effect of dampening wage pressures more than might otherwise be the case. In Japan, another trend is in evidence. The female participation rate is rising sharply, as the government encourages Japanese women to join the workforce. This too has the effect of increasing employment without there being a commensurate impact on wages, thus extending the cycle.

Furthermore, although flatter than they were, yield curves in developed countries are still steep. Bear markets and downturns do not tend to start until cash represents a viable alternative either to investment in the stock market or in new business capacity. In other words, until yield curves are inverted, following a period of monetary tightening. Although the US has been increasing interest rates for more than two years now, it has been doing so slowly. Elsewhere, the UK has raised rates just once, while Europe and Japan have yet to get started.

So, we think there is scope for the global economy to continue to grow for a little while longer, which should provide support for risky assets such as equities and high yield bonds. It will also mean that inflation pressures are likely to continue to rise which will be negative for safe haven bonds but positive for energy and industrial metals, as well as a host of other so-called real assets.

Seneca Investment Managers Limited

7 June 2018

Ten Largest Holdings

	Valuation 2017 £'000	Purchases £'000	(Sales) £'000	Appreciation/ (depreciation) £'000	Valuation 2018 £'000
Royal London Short Duration Global High Yield Bond [B]	2,355	1,416	-	(99)	3,672
AJ Bell [A]	2,100	-	-	805	2,905
Goodhart Partners Horizon Fund HMG Global Emerging Markets [B]	-	2,678	-	(11)	2,667
Coupland Cardiff Japan Income and Growth Trust	1,796	830	(433)	421	2,614
Samarang Asian Prosperity Fund [B]	-	2,500	-	(17)	2,483
European Assets Trust	2,330	293	(223)	70	2,470
Schroder Asian Income Maximiser [B]	2,302	121	-	22	2,445
Invesco Perpetual European Equity Income Fund [B]	1,795	435	(59)	85	2,256
International Public Partnerships	1,088	1,315	-	(163)	2,240
Liontrust European Enchanced Income [B]	1,912	159	-	34	2,105

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

At 30 April 2018 these investments totalled £25,857,000 or 31.48% of the portfolio.

A J Bell Holdings PLC – Unquoted Investment

A J Bell Holdings (AJ Bell) is one of the leading providers of pension administration services in the UK. The company offers online low cost Self Invested Personal Pension (SIPP) services, along with ISA and LISAs. It has also developed its own in-house suite of passive funds. The company has evolved to be one of the UK's largest investment platforms and retail stockbrokers.

In the company's financial year ended 30 September 2017, Assets under Administration grew 25% to £39.8bn, aided by 21% growth of platform customer numbers. Operating profit margins expanded to 29% and pre-tax profits grew 29% to £21.7m. Net assets attributable to the company grew 14% to £61.4m of which £42.1m was cash or cash equivalent assets.

Due to the strength of the annual results and a subsequent transaction of shares conducted between two other external shareholders, a review by your Board resulted in the mark up in the carried value of the 350,000 shares held from 700p to 830p. Subsequent to that third party transaction, the company has announced it is conducting work to pursue an Initial Public Offering either in late 2018 or early 2019. It is the Board's and Manager's view that the new carried value is conservative.

The holding of 350,000 A J Bell shares (2017: 350,000 shares) represents 0.9% of the shares in issue. These shares have a book cost of £365,275 (2017: £365,275) and were valued at £2,905,000 (2017: £2,100,000) based on the Directors' valuation at year end.

Investment Portfolio

As at 30 April 2018

Name	Sector	Asset Class	Valuation £'000	%
Royal London Short Duration Global High Yield Bond [B]	Unit Trust & OEICS	Fixed Income	3,672	4.47
AJ Bell [A]	Special & Other Finance	Specialist Assets	2,905	3.54
Goodhart Partners Horizon Fund HMG Global Emerging Markets [B]	Unit Trust & OEICS	Overseas Equities	2,667	3.25
Coupland Cardiff Japan Income and Growth Trust	Investment Companies	Overseas Equities	2,614	3.18
Samarang Asian Prosperity Fund [B]	Unit Trust & OEICS	Overseas Equities	2,483	3.02
European Assets Trust	Investment Companies	Overseas Equities	2,470	3.01
Schroder Asian Income Maximiser [B]	Unit Trust & OEICS	Overseas Equities	2,445	2.98
Invesco Perpetual European Equity Income Fund [B]	Unit Trust & OEICS	Overseas Equities	2,256	2.75
International Public Partnerships	Investment Companies	Specialist Assets	2,240	2.73
Liontrust European Enchanced Income [B]	Unit Trust & OEICS	Overseas Equities	2,105	2.56
Top ten investments			**25,857**	**31.49**
Prusik Asian Equity Income [B]	Unit Trust & OEICS	Overseas Equities	1,954	2.38
Doric Nimrod Air Two	Investment Companies	Specialist Assets	1,914	2.33
Fair Oaks Income	Investment Companies	Specialist Assets	1,802	2.19
TwentyFour Select	Investment Companies	Fixed Income	1,742	2.12
Franklin Templeton Emerging Markets Bond [B]	Unit Trust & OEICS	Fixed Income	1,630	1.98
DP Aircraft I	Investment Companies	Specialist Assets	1,415	1.72
The PRS REIT	UK REIT	Property	1,414	1.72
Marston's	Travel & Leisure	UK Equities	1,391	1.70
Marks & Spencer	General Retailers	UK Equities	1,379	1.68
Ultra Electronic Holdings	Electronic & Electrical Equipment	UK Equities	1,364	1.66
Top twenty investments			**41,862**	**50.97**
Sequoia Economic Infrastructure	Investment Companies	Specialist Assets	1,364	1.66
BT Group	Fixed Line Telecoms	UK Equities	1,359	1.65
Insight UK Equity Income Booster [B]	Unit Trust & OEICS	UK Equities	1,349	1.64
BlackRock World Mining Trust	Investment Companies	Overseas Equities	1,327	1.62
Babcock International	Support Services	UK Equities	1,324	1.61
Primary Health Properties	UK REIT	Property	1,306	1.59
Legal & General	Life Insurance	UK Equities	1,279	1.56
Ediston Property Investment Company	UK REIT	Property	1,253	1.53
RM Secured Direct Lending	Investment Companies	Specialist Assets	1,231	1.50
UK Mortgages	Investment Companies	Specialist Assets	1,224	1.49
Top thirty investments			**54,878**	**66.82**

Name	Sector	Asset Class	Valuation £'000	%
Kier Group	Construction & Materials	UK Equities	1,219	1.48
John Laing Environmental Assets Group	Investment Companies	Specialist Assets	1,198	1.46
Greencoat UK Wind	Investment Companies	Specialist Assets	1,194	1.45
Bovis Homes	Household Goods	UK Equities	1,192	1.45
OneSavings Bank	General Financial	UK Equities	1,191	1.45
Britvic	Beverages	UK Equities	1,175	1.43
Halfords Group	General Retailers	UK Equities	1,145	1.39
Arrow Global Group	General Financial	UK Equities	1,141	1.39
LondonMetric	UK REIT	Property	1,140	1.39
Polypipe Group	Construction & Materials	UK Equities	1,130	1.38
Top forty investments			**66,603**	**81.09**
AEW UK REIT	UK REIT	Property	1,122	1.37
Dairy Crest	Food Producers	UK Equities	1,098	1.34
RPC Group	General Industrials	UK Equities	1,074	1.31
Funding Circle SME Income Fund	Investment Companies	Specialist Assets	1,069	1.30
Phoenix Group Holdings	Life Insurance	UK Equities	1,062	1.29
Aberdeen Asian Income	Investment Companies	Overseas Equities	1,045	1.27
Custodian REIT	UK REIT	Property	1,026	1.25
Morgan Advanced Materials	Electronic & Electrical Equipment	UK Equities	1,024	1.25
National Express	Travel & Leisure	UK Equities	1,020	1.24
Essentra	Support Services	UK Equities	1,012	1.23
Top fifty investments			**77,155**	**93.94**
Royal London Sterling Extra Yield Bond [B]	Unit Trust & OEICS	Fixed Income	937	1.14
Senior	Aerospace & Defence	UK Equities	930	1.13
Diploma	Support Services	UK Equities	859	1.05
Victrex	Chemicals	UK Equities	838	1.02
Civitas Social Housing - C Shares	UK REIT	Property	340	0.41
RM Secured Direct Lending - C shares	Investment Companies	Specialist Assets	320	0.39
Blue Capital Global Reinsurance	Investment Companies	Specialist Assets	277	0.34
Partners Group Global Opportunities [B]	Unit Trust & OEICS	Specialist Assets	275	0.33
Assured Fund [B]	Unit Trust & OEICS	Specialist Assets	158	0.19
Aberdeen Private Equity	Investment Companies	Specialist Assets	39	0.05
Top sixty investments			**82,128**	**99.99**
Other investments			7	0.01
Total investments			**82,135**	**100.00**

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

[A] Unquoted.

[B] Open-ended.

Classification of Investment Portfolio

As at 30 April	2018 %	2017 %
Overseas Equities	26.0	28.6
UK Equities	32.3	35.0
Specialist Assets	32.0	27.7
Fixed Income	9.7	8.7
	100.0	**100.0**

Cash is excluded from the Investment Portfolio.

Analysis of Investment Portfolio

	2018		2017	
As at 30 April	**Valuation £'000**	**Valuation assets %**	**Valuation £'000**	**Valuation assets %**
Listed	57,293	69.8	52,324	71.7
Open-ended	21,930	26.7	18,507	25.4
Unquoted	2,912	3.5	2,100	2.9
	82,135	**100.0**	**72,931**	**100.0**

Strategic Review

Introduction

This review is a part of the Strategic Report being presented by the Company under the guidelines for UK-listed Companies' Annual Reports, and is designed to provide information primarily about the Company's business and results for the year ended 30 April 2018. It should be read in conjunction with the Chairman's Statement on pages 3 and 4 and the Manager's Review on pages 5 to 9, which give a detailed review of the investment activities for the year and look to the future.

Business Model and Strategy

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

Investment Policy

The asset classes included in the Company's portfolio are UK and overseas equities, fixed income securities and specialist assets. The Company's Investment Manager aims to add value through both strategic and tactical asset allocation within a range for each asset class. The asset allocation ranges, which are calculated at the time of any relevant investment based on the Company's gross assets, are as follows:

	Asset Allocation Range
UK equities	15 - 60
Overseas equities	10 - 40
Total equities	25 - 85
Fixed income	0 - 40
Specialist assets	0 - 50

Exposure to UK equities is achieved by investing directly or, with the Board's prior approval, through specialist collective investment schemes and products managed by third parties or (where it is more efficient for, and at no greater cost to, the Company than investing directly) through collective investment schemes and products managed by the Company's Investment Manager. In the case of overseas equities, exposure is achieved through the use of specialist collective investment schemes and products or, with the Board's prior approval, by investing directly. Fixed income investments may be made either directly or through collective investment schemes and products. Ordinarily, exposure to specialist assets is achieved through investing in specialist collective investment schemes and products.

The Company will not invest more than 7.5 per cent. of gross assets in any individual direct equity or fixed income investment or more that 10 per cent. of gross assets in any specialist collective investment scheme or product (in each case, measured at the time of investment).

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

The Company may borrow to gear the Company's returns when the Board believes it is in shareholders' interests to do so. The Company's existing borrowing policy allows gearing up to 25% of the Company's net assets. The Company's current credit facilities comprise a £14.0 million revolving loan facility of which £7.0 million was drawn down as at 30 April 2018 (equivalent to 8.5% of its net assets). Further details of the revolving loan facility are in note 11 to the financial statements. The Board believes these levels are appropriate for the Company at the present time.

Investment Approach

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

Multi-Asset Value Investing

The starting point for all Seneca Investment Managers Ltd ('SIML' or the 'Manager') client portfolios is to determine what their specific long-term, or strategic asset allocation (SAA) should be, given the investment return and risk objectives. This represents how a particular client should be positioned in various asset classes on average over time.

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

Armed with these long-term return estimates for various asset classes, SIML constructs an SAA such that it provides good diversification as well as a substantial part of the investment return objective (as per the next paragraph, SIML expect to also add value through tactical asset allocation and stock and fund selection). This SAA is reviewed periodically, but unless there is a very good reason why the long-term return estimate for a particular asset class might have changed, it remains fixed.

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

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

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

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

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

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

Special feature: Asset Allocation

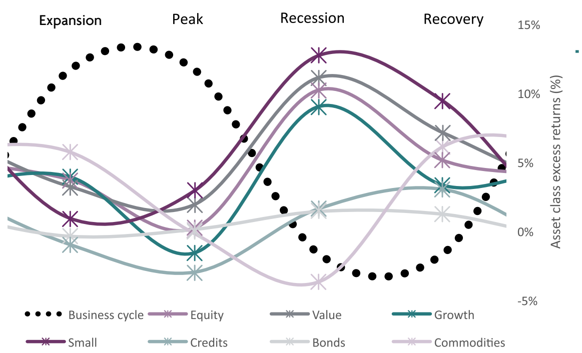
Your Manager's framework for making asset allocation decisions is based on business cycle analysis and well documented relationships between the performance of various asset classes with each phase of the cycle. For example, equities tend to perform best during the recession phase and worst during the peak phase. If you can identify which phase you are in, you can add value through active asset allocation.

The business cycle is often divided into four phases: expansion, peak, recession and recovery (other models divide it into just two phases, expansion and contraction). Each of these phases is characterised by underlying economic performance and whether activity levels are high or low and rising or falling. For example, in peak phase, activity is high and falling whereas in recession phase, activity is low and falling.

The trick is to identify economic indicators that can be observed ex ante. The National Bureau of Economic Research (NBER) will tell you the dates of expansions and contractions but only well after the event. Use of such information is thus of no use in asset allocation.

Research by Pim van Vliet and David Blitz at Robeco Asset Management solved this problem. They considered a number of economic indicators that would help determine ex ante the particular phase of the business cycle. They then used this data, going back 50 or so years, to map asset class performance (returns in excess of the risk free rate) to each business cycle phase. The results are shown in the chart below

The business cycle versus excess asset class returns



Source: Dynamic Strategic Asset Allocation: Risk and Return across Economic Regimes (2009)

It can clearly be seen not only that the performance of each asset class varies over the cycle but that asset classes exhibit distinct performance from each other. For example, the performance of equities is strong during recession phase, weakens through the recovery and expansion phases, and then is worst during the peak phase. This is in contrast to commodities, which do worst in recession phase, then best in recovery and expansion.

At SIML, we try to keep things fairly simple when it comes to discerning where economies are in their cycle. Where the unemployment rate is in relation to its highs and lows, and whether it is rising or falling, give reasonable indications of the business cycle phase. Inflation rates too are good indicators. Both of these make sense as they are the two key metrics that central banks target (most central banks talk about seeking price stability and full employment).

Of course, identifying the patterns is one thing. Explaining them is another.

In their 1989 paper *Business Conditions and Expected Returns on Stocks and Bonds*, Eugene Fama and Kenneth French offer two explanations for the most basic of observations, namely that returns are good when economic activity is weak and poor when it is strong. The first relates to consumption smoothing and the second to risk.

With respect to the first of these, the authors write

"When income is high in relation to wealth, investors want to smooth consumption into the future by saving more. If the supply of capital-investment opportunities is not also unusually large, higher desired savings lead to lower expected security returns. Conversely, investors want to save less when income is temporarily low. Again, without an offsetting reduction in capital-investment opportunities, lower desired savings tend to push expected returns up."

In other words, when times are good, investors want to save more, pushing stock prices up and expected returns down. The reverse happens in bad times.

The risk-based explanation is that variables such as the dividend yield (D/P), the default rate (DEF), and the term premium (TERM) are associated with risks that fluctuate over the cycle and that therefore cause returns to fluctuate. They write:

"Another reasonable hypothesis is that the risks for which D/P, DEF, and TERM are proxies are higher when times are poor and lower when times are good."

In other words, high dividend yield, high default rate, and high term premium (essentially, the yield curve) all reflect higher risks in equities and thus the higher returns that are needed to justify these risks.

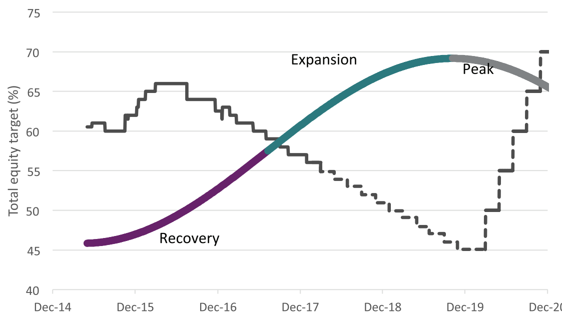
So, where are we at the moment?

Our analysis suggests that the US is well into expansion phase, the UK has just entered it, and Europe and Japan are getting close to the end of the recovery phase. On average, therefore, we think the global economy has entered the expansion phase. We are thus at the point at which returns from equities will be below average but still positive. This would suggest that one should now be underweight equities and going further underweight equities as the expansion phase progresses. By the time we arrive at the peak phase, one should be materially underweight, as this is the phase in which equity bear markets reside.

The chart below illustrates the approach outlined in the previous paragraph with respect to your Company. As can be seen, we have been lowering the equity target for the last two or so years and will continue to lower it for the next two or so years such that by the time we reach the peak phase we are materially underweight. Based on extrapolation of various economic indicators such as unemployment, inflation and the yield curve, we think there will be some sort of global downturn in 2020. We may well be early or late, but this is why the decrease in equity weight should begin during the recovery phase and be gradual. If we are late, we will already have reduced. If we are early, we can keep reducing. After all, downturns, like death and taxes, are guaranteed to happen.

What you can also see is that during the peak phase, we expect to rapidly increase your Company's equity weight. The peak phase is the phase in which equity bear markets tend to happen, and we will simply be buying equities as markets fall.

Total equity target versus the business cycle (dotted line represents anticipated path of equity target)



Source: Seneca Investment Managers, April 2018

Principal Risks and Uncertainties and Risk Mitigation

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

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

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

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

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

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

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

Key Man Risk In order to reduce key man risk, SIML operates a team approach to fund management, with each member of the five strong highly experienced investment team contributing to the performance of the Company through their research specialisations.

Going Concern

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

In assessing the Company's ability to continue as a going concern the Directors have also considered the Company's current investment objective (see page 1), risk management policies (see pages 16 and 17), capital management (see note 17 to the financial statements), the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for at least 12 months from the date of this report. In addition, the Board has had regard to the Company's investment performance (see graph on page 18), ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with shareholders by the Company's advisers) and the operation of the Discount Control Mechanism ('DCM') described in the Chairman's Statement (which the Directors believe further enhances the Company's appeal to investors).

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

Resolution 15 at this year's AGM represents the annual continuation vote by shareholders on the Company's future. The Board believes this resolution to be in the best interests of the Company and its members as a whole, and strongly recommends that shareholders should vote in favour of resolution 15 as it intends to do in respect of its own beneficial shareholdings.

Viability Statement

In accordance with the provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a three year period from the date that this Annual Report is due to be approved by shareholders. This period was selected as it is considered a reasonable time horizon to consider the continuing viability of the Company and a suitable period over which to measure the performance of the Company against its benchmark. The Directors believe this period to be appropriate notwithstanding that they will be required by the Articles of Association to put forward a proposal for the continuation of the Company at the forthcoming AGM as they have no reason to presume that such resolution will not be passed by shareholders.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 16 and 17, in particular investment and strategy, market, earnings and dividend, operational and financial risks and the effectiveness of any mitigating controls in place. In undertaking this review, the Board has also considered the recent amendment to the Company's Investment Objective and the effectiveness of the DCM, as well as the income and expenditure projections and the liquidity of its portfolio, the effects of any significant future falls in investment values on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors. The Company is an investment trust whose portfolio is principally invested in readily realisable listed securities which could be sold to meet funding requirements if necessary.

Based on the foregoing, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet the liabilities as they fall due over the three year period to the AGM in 2021.

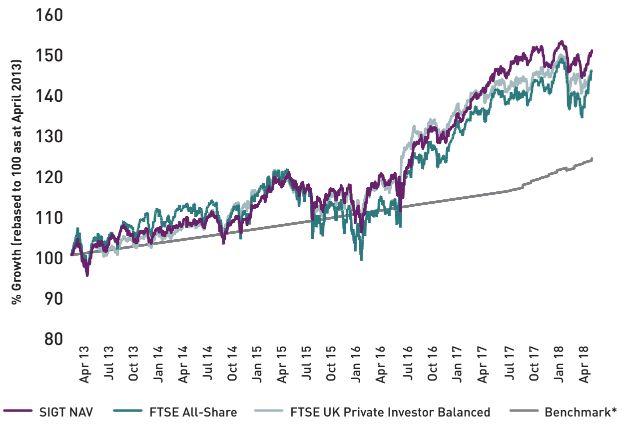
Performance Measurement and Key Performance Indicators

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

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

Cumulative Growth, NAV Total Return, GBP

NAV Total Return, GBP

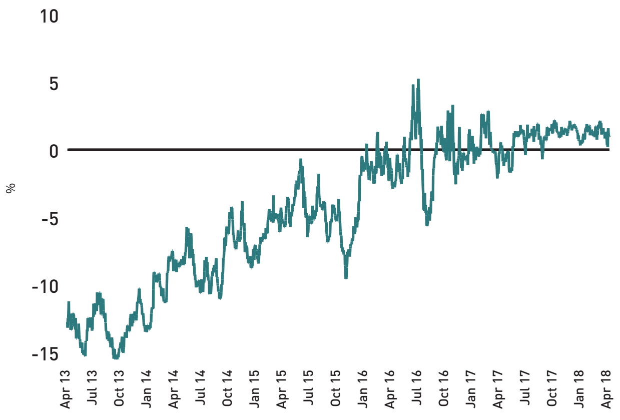


*The benchmark return is calculated using a blended return based on the benchmark of CPI +6% from 7 July 2017 and previously of LIBOR GBP +3%.

Sources: Cantor Fitzgerald/Morningstar

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

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



Sources: Cantor Fitzgerald/Morningstar

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

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

Social, Community, Employee Responsibilities and Environmental Policy

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

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

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

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

At 30 April 2018 there were three male Directors. The Company has no employees so does not require to report further on gender diversity.

By order of the Board
Steven Cowie
Company Secretary
7 June 2018

Your Board

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

Richard Alexander McGregor Ramsay

Independent Non-Executive Chairman

Age: 68

Length of service: 5 years 3 months. Appointed a Director on 2 April 2013 and Chairman on 3 September 2013

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

Last re-elected to the Board:
7 July 2016

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £24,500 per annum

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

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
133,014 Ordinary Shares

Ian Richard Davis

Independent Non-Executive Director and Chairman of the Audit Committee

Age: 58

Length of service: 13 years 8 months. Appointed a Director on 1 November 2004 and Chairman of the Audit Committee on 15 December 2004

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

Last re-elected to the Board:
6 July 2017

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £22,000 per annum

All other public company directorships:
None

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
92,796 Ordinary shares

James Russell McCulloch

Independent Non-Executive Director and Chairman of the Nomination Committee

Age: 63

Length of service: 3 years 5 months. Appointed a Director on 2 January 2015

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

Last re-elected to the Board:
9 July 2015

Committee membership:
Audit Committee
Management Engagement Committee
Nomination Committee

Remuneration: £20,000 per annum

All other public company directorships:
None

Shared Directorships with any other Trust Directors: None

Shareholding in Company:
95,000 Ordinary shares

Investment Manager

Seneca Investment Managers Ltd ('SIML')

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

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

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

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

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

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

Peter Elston – chief investment officer and asset allocation research specialist

Peter's research responsibility for SIML is asset allocation.

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

He has been responsible for direct oversight of the Company since 2015.

Mark Wright – UK equity research specialist

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

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

Richard Parfect – specialist assets research specialist

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

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

Tom Delic – overseas equity and bond fund research specialist

Tom is responsible for our third party fund selection alongside Gary Moglione. He has worked in the investment industry since 2009 after graduating from the University of Liverpool with a first class degree in Mathematics with Finance.

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

Gary Moglione – overseas equity and bond fund research specialist

Gary joined Seneca in April 2018 and is responsible for our third party fund selection alongside Tom Delic. He has worked in the investment industry since 1999 with a major portion of this specialising in fund selection both on a fund of funds and a multi-manager basis.

Gary has previously worked as a fund manager for Royal Liver Asset Management where he managed two of their multi-manager funds (UK Equity and Global Equity). He then joined the multi-asset team at Pioneer Investment Management (later to be taken over by Amundi Asset Management) to manage equity assets in their fund of funds range.

* Property, private equity, specialist financial and infrastructure

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 30 April 2018.

Results and Dividends

The revenue profit for the year after expenses, interest and taxation was £2,988,000 (2017: £2,707,000), equivalent to a return of 6.85p per share (2017: 6.78p). Three interim dividends of 1.58p were paid during the year and a fourth interim dividend of 1.64p will be paid on 22 June 2018 to holders on the register at the close of business on 1 June 2018, making a total distribution for the year of 6.38p (2017: 6.14p).

Principal Activity

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

Status

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

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

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

Share Capital

The issued share capital at 30 April 2018 consisted of 47,621,361 Ordinary shares of 25p each and there were no Ordinary shares held in treasury. As at the last practicable date of 7 June 2018 the issued share capital consisted of 48,096,361 Ordinary shares of 25p each and no shares were held in treasury. Each holder of Ordinary shares, excluding treasury shares, is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Companies Act 2006, section 992

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

- the Company's capital structure is summarised on page 21;
- details of the substantial Shareholders in the Company are listed on page 22;
- the rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are summarised on page 25;
- amendment of the Company's Articles of Association and powers to issue non pre-emptively or buy-back the Company's shares require a special resolution to be passed by Shareholders;
- there are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid; and
- there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors

Details of the current Directors of the Company are shown on page 19.

The Articles of Association require Directors to offer themselves for re-election at least once every three years.The Board resolved that all the Directors will retire and offer themselves for re-election this year and will continue to do so on an annual basis, believing this to be best practice.

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

Directors' Indemnities

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

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest, as required by the Companies Act 2006. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his wider duties is affected. Each Director is required to notify the Company Secretary of any potential or actual conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

Substantial Interests

To the best of the Company's knowledge at 30 April 2018 the only persons known to the Company who, directly or indirectly, were interested in 3% or more of the Company's issued share capital were as follows:

Shareholder	Number of shares held	% held
Hargreaves Lansdown, stockbrokers	4,832,628	10.15
Alliance Trust Savings	4,311,834	9.05
Hedley, stockbrokers	4,189,869	8.80
AJ Bell, stockbrokers	3,751,117	7.88
Rathbones	2,706,708	5.68
Interactive Investor	2,281,310	4.79
Charles Stanley	2,230,007	4.68
EFG Harris Allday, stockbrokers	2,105,185	4.42
Midas Investment Management	1,896,647	3.98
Brewin Dolphin, stockbrokers	1,773,530	3.72
Redmayne Bentley, stockbrokers	1,597,727	3.36
FundsDirect, stockbrokers	1,539,038	3.23

Since 30 April 2018, there have been no changes notified to the Company.

Directors and staff of SIML (and their families) own 2.7 million shares in the Company representing 5.7% of the Company's issued share capital as at 30 April 2018.

Management and Management Fees

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

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

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

Directors' Remuneration Policy and Report

The Directors' Remuneration Policy and Report are detailed on pages 30 and 31.

Alternative Investment Fund Managers' Directive ('AIFMD')

The Company appointed PATAC Limited as its alternative investment fund manager ('AIFM') with effect from 4 April 2018 in order to comply with the AIFMD. The investment management agreement with SIML was terminated and the Company has entered into a new AIFMD compliant management agreement with the AIFM. The AIFM has delegated the portfolio management activities relating to the Company back to SIML pursuant to a delegation agreement and SIML continues to provide portfolio management services to the Company as before. The delegation agreement between the Company, the AIFM and SIML is on the same commercial terms as the previous investment management agreement between the Company and SIML. As noted in the Chairman's Statement SIML has agreed to absorb the cost of the AIFM as part of its management fee.

The AIFMD requires the AIFM to appoint a depositary for each authorised investment fund it manages. J.P. Morgan Europe Limited (the 'Depositary') were appointed depositary for the Company with effect from 4 April 2018. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary has delegated the custody function to J.P. Morgan Chase Bank N.A.

Annual General Meeting

The Notice of Annual General Meeting is set out on pages 53 to 57.

Resolution 1 – Receipt and Adoption of the Audited Accounts and Associated Reports
Resolution 1 asks Shareholders to receive and adopt the audited accounts for the year ended 30 April 2018 together with the associated reports of the Directors and auditor.

Resolution 2 – Approval of the Directors' Remuneration Report
Resolution 2 asks Shareholders to approve the Directors' remuneration report for the year ended 30 April 2018 (which is included in the Annual Report).

Resolution 3 – Approval of Dividend Policy
The Company's current policy is to pay all of its dividend payments (four per annum) as interim dividends. This enables the fourth dividend payment to be made several weeks earlier than would be the case if that dividend were categorised as a final dividend and therefore have to wait for Shareholder approval at the AGM in July. This arrangement is made in the interests of Shareholders, enabling them to benefit from the earlier receipt of the fourth dividend. In accordance with the principles of good corporate governance, as there is no resolution to approve a final dividend at the AGM, resolution 3 seeks Shareholder approval for the Company's current dividend policy.

Resolutions 4, 5 and 6 – Re-election of Directors
As noted in the Chairman's Statement the Board has resolved that each of the Directors will stand for re-election annually in line with best practice going forward. Accordingly, each of the Directors is offering himself for re-election.

In respect of Mr Davis, who has served on the Board for over nine years, the Board subscribes to the view expressed within the AIC Code of Corporate Governance that long serving Directors should not be prevented from forming part of an independent majority. In the Board's opinion, independence is not compromised by length of tenure and that experience and continuity can add significantly to the Board's strength.

The Directors have reviewed the proposed re-election of each of the Directors and are of the opinion that they bring a significant range of business, financial and management skills and experience to the Company and are independent in both character and judgement. Accordingly, the Board supports the Directors re-election, as proposed by resolutions 4, 5 and 6.

Biographical details for each of the Directors are set out on page 19 of the Annual Report.

Resolutions 7 and 8 – Re-appointment and Remuneration of Auditor
The Company is required to appoint an auditor at each general meeting at which accounts are presented to Shareholders and Ernst & Young LLP has indicated its willingness to continue in office. Accordingly, resolution 7 asks Shareholders to re-appoint Ernst & Young LLP as auditor of the Company and resolution 8 asks Shareholders to authorise the Directors to fix the auditor's remuneration.

Resolutions 9, 10 and 11 – Directors' Authority to Allot Shares
Resolution 9 will, if approved, give the Directors a general authority to allot Ordinary shares up to an aggregate nominal amount of £4,008,030 (or such amount being equivalent to one-third of the aggregate nominal amount of the issued share capital of the Company, excluding treasury shares, on the date on which resolution 9 is passed). In line with corporate governance guidelines, resolution 10, if approved, authorise the Directors to allot such Ordinary shares, or sell Ordinary shares held in treasury, up to an aggregate nominal amount of £1,202,409 (or such amount being equivalent to 10% of the aggregate nominal amount of the issued share capital of the Company, excluding treasury shares, on the date on which resolution 10 is passed) for cash without first offering such Ordinary shares to existing Shareholders pro rata to their existing shareholdings. In addition to this authority, resolution 11, if approved will authorise the Directors to allot further Ordinary shares, or sell further Ordinary shares held in treasury, up to an aggregate nominal amount of £2,404,818 (or such amount being equivalent to 20% of the aggregate nominal amount of the issued share capital of the Company, excluding treasury shares, on the date on which resolution 11 is passed) for cash without first offering such Ordinary shares to existing Shareholders pro rata to their existing shareholdings. This additional authority will only be used to issue Ordinary shares, or sell treasury shares in accordance with the Company's DCM, details of which are set out on page 3 of the Annual Report.

These authorities will expire on 13 October 2019 or, if earlier, at the conclusion of the AGM of the Company to be held in 2019. No issue of Ordinary shares would be made pursuant to the authorities which would dilute the net asset value per Ordinary share of existing Shareholders.

As at 7 June 2018, the Company held no Ordinary shares in treasury.

Resolution 12 – Share Buy-backs
Resolution 12 seeks Shareholder approval to renew the authority to purchase through the market up to 14.99% of the Ordinary Shares in issue (excluding treasury shares) on the date on which resolution 12 is passed (the 'Buy-back Authority').

The Buy-back Authority, if granted, will expire on 13 October 2019 or, if earlier, at the conclusion of the AGM of the Company to be held in 2019.

The price (excluding expenses) paid for an Ordinary share bought back pursuant to the Buy-back Authority will not be: (a) less than its nominal value of 25p; or (b) more than the higher of (i) 5% above the average of the middle market values of the Ordinary shares for the five business days prior to the day the purchase is made and (ii) the higher of the price of the last independent trade and the highest current independent bid for any number of Ordinary shares on the trading venue on which the purchase is carried out.

The Buy-back Authority will only be exercised at the Directors' discretion and is expected to be used principally to buy back Ordinary shares in accordance with the Company's DCM, details of which are set out on page 3 of the Annual Report. Any Ordinary shares bought back under the Buy-back Authority may be held in treasury or cancelled.

Resolution 13 – Notice Period for General Meetings
Resolution 13 is to allow the Company to hold general meetings (other than an AGM) on 14 clear days' notice. The notice period required by the Companies Act 2006 for general meetings of the Company is 21 clear days, unless Shareholders approve a shorter notice period, which cannot be less than 14 clear days and the Company offers the facility for all Shareholders to vote by electronic means.

Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of Shareholders as a whole. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Resolution 14 – Adoption of new Articles of Association
As noted in the Chairman's statement the Company's Articles of Association have been reviewed and it is proposed that amended articles be adopted which reflect recent regulatory changes. It is proposed that the Articles of Association will be amended: (i) to reflect the AIFMD and all applicable rules and regulations implementing that Directive; and (ii) to include provisions to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations. A full summary of the proposed amendments to the Articles of Association is set out in the Summary of Article Changes on page 58 of the Annual Report.

A copy of the existing Articles and the proposed new Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 13 July 2018 and at the venue of the AGM for at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

Resolution 15 – Continuation of the Company
Notwithstanding the changes proposed to the annual continuation vote, the Company is required by its Articles to propose an ordinary resolution at this Annual General Meeting to continue it as an investment trust. Having regard to the Company's investment performance and the successful implementation of its Discount Control Mechanism, the Board firmly believes that the continuation of the Company, as proposed by resolution 15, is in the best interests of Shareholders.

Resolution 16 – Removal of the Continuation Vote
As noted in the Chairman's Statement the Board believes that the Discount Control Mechanism is now well established and the liquidity provided by this mechanism provides sufficient liquidity and renders an annual continuation vote inappropriate. Resolution 16, if approved, will amend the new Articles of Association to remove the annual continuation vote.

Recommendation

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

Financial Instruments

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

Greenhouse Gas Emissions

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

Statement Regarding Annual Report and Accounts

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

Disclosure of Information to the Auditor

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

21 Walker Street
Edinburgh
EH3 7HX

By order of the Board
Steven Cowie
Company Secretary
7 June 2018

Statement of Corporate Governance

Introduction

The UK Listing Authority requires all listed companies to describe how they have complied with the principles of the UK Corporate Governance Code published in April 2016 (the 'Governance Code'), which is available on the Financial Reporting Council's website: www.frc.org.uk. The Governance Code covers in particular the annual re-appointment of Directors, Board diversity, external evaluation, the Board's responsibilities in relation to risk, and a clear explanation of business model and strategy.

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

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

Application of the Principles of the Codes

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

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

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

The Board

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

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

During the year ended 30 April 2018 the Board met 6 times. In addition, there were 2 Audit Committee meetings, 1 Management Engagement Committee meeting and 5 other ad hoc Committee meetings. Between meetings the Board maintains regular contact with the Manager.

Directors have attended Board and Committee meetings during the year ended 30 April 2018 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board meetings	Audit and Management Engagement Committee meetings	Other committee meetings
R A M Ramsay (Chairman)	5 (6)	3 (3)	5 (5)
I R Davis	6 (6)	3 (3)	5 (5)
J R McCulloch	6 (6)	3 (3)	4 (5)

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

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

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

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

Audit Committee

The Report of the Audit Committee is contained on pages 27 and 28.

Management Engagement Committee

A separate Management Engagement Committee, which is chaired by Mr R A M Ramsay and comprises the full Board, has been established. The Terms of Reference of the Management Engagement Committee are available on the Company's website and further copies are available on request. The Management Engagement Committee annually reviews matters concerning the management contract which exists between the Company, the AIFM and the Manager. Further information on the Manager is set out on page 20 and details of the Management Agreement are shown in note 3 to the financial statements.

Nomination Committee

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

The Board has resolved that all Directors will retire annually in line with best practice.

Stewardship Code

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

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

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

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

Relations with Shareholders

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

A regular dialogue is maintained with the Company's institutional Shareholders and with private client asset managers. This is principally carried out through the Manager. Reference to significant holdings in the Company's Ordinary shares can be found under "Substantial Interests" on page 22.

The Notice of the Annual General Meeting included within the Annual Report and Accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board or Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for shareholders. The Company Secretary is available to answer general shareholder queries at any time throughout the year. In addition, the Chairman has provided a contact email address in his statement on page 4 to allow shareholders to contact him directly with queries relating to the proposed resolutions.

21 Walker Street
Edinburgh
EH3 7HX

By order of the Board
Steven Cowie
Company Secretary
7 June 2018

Report of the Audit Committee

Composition of the Audit Committee

- An Audit Committee has been established with written terms of reference and comprises three non-executive Directors, Mr I R Davis (Chairman), Mr J R McCulloch and Mr R A M Ramsay. Mr I R Davis has recent and relevant financial experience and the Audit Committee as a whole have competence relevant to the Investment Trust Sector. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis and are disclosed on the Company's website. Further copies are available on request.

Role of the Audit Committee

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

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

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and financial statements. The Audit Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement. The Audit Committee considered certain significant issues during the year. These are noted in the table on page 28.

Auditor

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 30 April 2018. At the conclusion of the audit EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 32 to 37.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £29,500 (2017: £28,800), EY received fees for non-audit services of £9,300 during the year (2017: £9,300) which related to the provision of tax compliance and advisory services for the year ended 30 April 2016. All fees described are inclusive of VAT. The auditor did not provide tax compliance and advisory services during the year ended 30 April 2018.

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

In relation to the Annual Report and financial statements the following significant issues were considered by the Committee:

Significant Issue	How the issue was addressed
Accuracy of portfolio valuation	Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. Unquoted investments are valued using primary valuation techniques (as set out on page 42) and are reviewed by the Committee at each meeting.
Mis-statement of income	Income received is accounted for in line with the Company's accounting policy (as set out on page 42) and is reviewed by the Committee at each meeting.
Comfort over internal controls	The Committee receives regular reports on internal controls from the Manager and the Administrator and has access to the relevant personnel at the Manager and the AIFM who have a responsibility for risk management.

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

Internal Controls

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

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

- financial;
- operational; and
- compliance.

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

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

At its June meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 April 2018 by considering documentation from the Manager and the Administrator, including the compliance function and taking account of events since 30 April 2018. The results of the assessment were then reported to the Board at the next Board meeting.

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

The principal risks and uncertainties affecting the Company are disclosed on pages 16 and 17.

Ian Davis
Chairman of Audit Committee
7 June 2018

Directors' Remuneration Report

Remuneration Committee

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

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

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

Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, Directors' time commitment, and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. The policy was approved by shareholders at the AGM in 2017 and there have been no changes to the policy since that date. It is intended that this policy will continue for the three year period ending 30 April 2020.

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfill in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 April 2019. With effect from 1 January 2015 the Chairman receives fees of £24,500 per annum, the Audit Committee Chairman receives fees of £22,000 per annum and £20,000 is payable to other Directors. The Board reviews fees from time to time.

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

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

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

Annual Report on Directors' Remuneration

Directors' Emoluments (audited)

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

	2018 £'000	2017 £'000
R A M Ramsay	25	25
I R Davis	22	22
J R McCulloch	20	20
Totals	**67**	**67**

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

Relative Importance of Spend on Pay

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

	2018 £'000	2017 £'000	Change %
Aggregate Directors' Remuneration	67	67	0.0
Management and other expenses	1,194	1,080	+10.6
Dividends paid to Shareholders	2,735	2,428	+12.6

Directors' Shareholdings (audited)

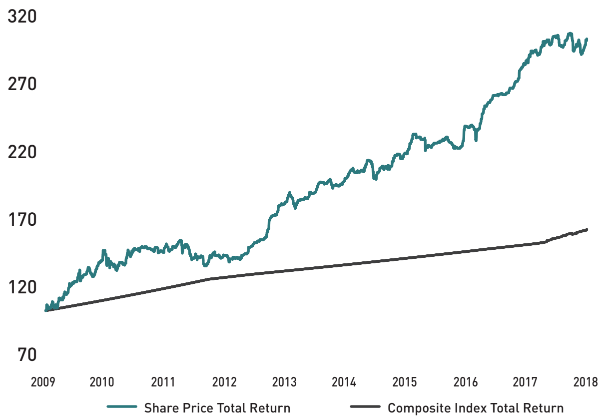
The Directors who held office at the year end and their interests in the Ordinary shares of the Company were as follows:

	At 30 April 2018 Ordinary shares	At 30 April 2017 Ordinary shares
R A M Ramsay	133,014	133,014
I R Davis	92,796	92,796
J R McCulloch	95,000	95,000

There have been no changes in the Directors' interests in the shares of the Company between 30 April 2018 and 7 June 2018.

Company Performance

The chart shown below illustrates, for the nine financial years ended 30 April 2018, the total shareholder return for a holding in the Company's shares as compared to the notional annualised return of 8% from 1 May 2009 to 18 January 2012, 3 month LIBOR plus 3% from 18 January 2012 to 6 July 2017 and CPI plus 6% from 7 July 2017 to 30 April 2018.



Source: Cantor Fitzgerald/Morningstar

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 6 July 2017, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 April 2017. 92.9% of votes were in favour of the resolution, 0.2% were against, while 6.9% abstained. Also at the Annual General Meeting, shareholders approved the Directors' Remuneration Policy in respect of the three year period ending 30 April 2020. 92.9% of votes were in favour of the resolution, 0.2% were against and 6.9% abstained.

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

By order of the Board
Steven Cowie
Company Secretary
7 June 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

The Directors confirm that to the best of our knowledge:

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

For Seneca Global Income & Growth Trust plc
Richard Ramsay
Chairman
7 June 2018

Independent Auditor's Report

to the Members of Seneca Global Income and Growth Trust plc

Opinion

We have audited the financial statements of Seneca Global Income and Growth Trust Plc ('the Company') for the year ended 30 April 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 19, 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 Company's affairs as at 30 April 2018 and of its profit 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 below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures as set out on pages 16 and 17 in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out on page 16 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement as set out on page 17 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 17 and 18 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate income recognition, including classification as revenue or capital items in the income statement. • Incorrect valuation and defective title of the investment portfolio.
Materiality	• Materiality of £0.82m which represents 1% of total shareholders' funds of the Company (2017: £0.70m).

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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the income statement (as described on page 28 in the Report of the Audit Committee). The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income received for the year to 30 April 2018, including the special dividend, was £3.82m (2017: £3.50m), with the majority being dividend receipts from listed investments. The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. During the year, the Company received one special dividend of £0.03m. The special dividend was treated as revenue. The Company receives income from its investments in underlying offshore funds which has been included in overseas dividends. For those underlying funds that are reporting offshore funds, excess reported income needs to be taken account of for the purposes of the revenue retention test.	**We performed the following procedures:** We obtained an understanding of the Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by performing a walkthrough in which we evaluated the design and implementation of controls. We reviewed the income report and the acquisition and disposal report to identify special dividends greater than our testing threshold. During the year the Company received only one special dividend which was below our testing threshold. However, we checked the special dividend to an external source and reviewed the treatment of the special dividend based on the underlying motives and circumstances for the payment. We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 30 April 2018. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements. We obtained an understanding of the systems and controls in place at the Administrator to identify offshore funds, determine reporting status and check for reported income.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Administrator's processes and controls surrounding revenue recognition and allocation of special dividends. We agreed the accounting treatment adopted with respect to the one special dividend receipt reviewed and noted no issues. We agreed the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements and noted no issues. We agreed the sample of investee company announcements to the income entitlements recorded by the Company and noted no issues. We recalculated the accrued dividends, agreeing, where possible, to post year end bank statements, and confirming that the income obligation arose prior to 30 April 2018 and noted no issues. We have no issues to report from our assessment of the Administrator's systems and controls to identify offshore funds, determine reporting status and check for reported income.
The Company has invested in ten offshore funds with nine funds having reporting status. No excess reported income has been recognised in the year.	We reviewed the year end investment portfolio and the trade reports for the year to confirm the correct identification of offshore funds held during the year and at the year end. For the offshore funds held we determined whether they were reporting or non-reporting.	We reviewed the year end investment portfolio and the trade reports for the year to confirm the correct identification of offshore funds, and noted no issues.
Offshore funds that don't have reporting fund status are liable to tax at a rate of 20% on any gains after deduction of management expenses which might not be appropriately accounted for. The Company has invested in one non-reporting offshore fund and there is no taxable gain with respect to this non-reporting offshore fund.	We independently verified that no excess reported income should be recognised within the financial statements with respect to the reporting offshore funds. We verified, with reference to the trade report, that no taxable gains arose with respect to the non-reporting offshore fund.	We determined whether the offshore funds held were reporting or non-reporting, and noted no issues. We verified that no excess reported income was recognised for the reporting offshore funds, and noted no issues. We verified that no taxable gains arose with respect to the reporting offshore funds, and noted no issues.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title of the investment portfolio (as described on page 28 in the Report of the Audit Committee). The valuation of the assets held in the investment portfolio is the key driver of the Company’s net asset value and total return. Incorrect asset pricing, including the judgement involved in the valuation of unlisted investments, or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.	**We performed the following procedures:** Obtained an understanding of the Manager’s and Administrator’s processes and controls surrounding investment pricing and trade processing, including an understanding of the Manager’s methodology of pricing unlisted investments and the Director’s process for review of the unlisted valuations, by performing a walkthrough in which we evaluated the design and implementation of controls.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Administrator’s processes and controls surrounding investment pricing and trade processing including the Manager’s methodology of pricing unlisted investments and the Director’s process for review of the unlisted valuations.
Listed investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed. Unlisted investments are valued at fair value by the directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Manager’s unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines (‘IPEV’). The valuation of the portfolio at 30 April 2018 was £82.13m (2017: £72.93m) consisting primarily of listed equities with an aggregate value of £79.22m (2017: £70.82m) and unlisted investment amounting to £2.91m (2017: £2.11).	For all listed investments in the portfolio, we compared the market values and exchange rates applied to an independent pricing vendor. We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end. We engaged our specialist Valuations and Business Modelling team to: • Review the valuation of unquoted investments and assess the reasonableness of the valuation methodologies used; • Challenge the key inputs and assumptions used with reference to published market data and price/earnings multiples of comparable companies; and • Determine a reasonable range for the valuations and to ensure that the valuation of the investments, as determined by the Company, is within this reasonable range. We agreed inputs to the unquoted valuations to underlying documentation. We obtained independent confirmation from the Custodian of all securities held at the year end and agreed all securities held from the Company’s records to the confirmations received. We agreed a sample of key transaction details (e.g. units, trade date, cost and proceeds) of purchases and sales recorded by the Administrator to bank statements.	For all listed investments, we noted no material differences in market value or exchange rates when compared to an independent source. We noted no stale prices or unexpected movements in investments held as at the year end. For the unlisted investment, our specialist Valuations and Business Modelling team assessed the valuation methodology as reasonable and that the valuation is within their expected range. We agreed the inputs into the unlisted investment valuation to underlying documentation, and noted no issues. We noted no differences between the custodian confirmation and the Company’s underlying financial records. For the sample of key transaction details (eg. units, trade date, cost and proceeds) of purchases and sales recorded by the Administrator which were agreed to bank statements we noted no issues.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £0.82m (2017: £0.70m) which is 1% (2017: 1%) of shareholders' funds of the Company. We believe that shareholders' funds of the Company provides us the basis for setting materiality since it is the basis for the key measurement of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 50%) of our planning materiality, namely £0.62m (2017: £0.35m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. In the prior year our performance materiality was 50% due to the identification of an uncorrected misstatement in 2016.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £0.15m (2017: £0.20m) for the revenue column of the Income Statement being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.04m (2017: £0.14m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report and Accounts as set out on page 1 to 31, 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 this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable (set out on page 31)** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on pages 27 and 28)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 25)** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 31, 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 management either intends to liquidate the Company or to cease operations, or has 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010;
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to incomplete or inaccurate revenue recognition relating to the allocation of special dividends between revenue and capital and risk of incorrect valuation of the unlisted investment portfolio. Further discussion of our approach is set out in the section on key audit matters above; and
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed as auditors by the Company and signed an engagement letter prior to our audit of the financial statements for the period ending 30 April 1997 and subsequent financial periods. Our appointment was subsequently ratified at the first annual general meeting of the Company held on 12 August 1997.

  The period of total uninterrupted engagement including previous renewals and reappointments is 22 years, covering the years ending 30 April 1997 to 30 April 2018.

- 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 the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Caroline Mercer

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
7 June 2018

Notes:

1. The maintenance and integrity of the Seneca Global Income and Growth Trust Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

	Notes	Year ended 30 April 2018 Revenue £'000	Capital £'000	Total £'000	Year ended 30 April 2017 Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	-	1,246	1,246	-	8,855	8,855
Income	2	3,816	-	3,816	3,500	-	3,500
Investment management fee	3	(312)	(312)	(624)	(265)	(265)	(530)
Administrative expenses	4	(452)	-	(452)	(462)	-	(462)
Exchange losses		-	-	-	-	(4)	(4)
Profit before finance cost and taxation		3,052	934	3,986	2,773	8,586	11,359
Finance costs	5	(59)	(59)	(118)	(44)	(44)	(88)
Profit before taxation		2,993	875	3,868	2,729	8,542	11,271
Taxation	6	(5)	-	(5)	(22)	22	-
Profit for year/total comprehensive income		**2,988**	**875**	**3,863**	**2,707**	**8,564**	**11,271**
Return per share (pence)	**8**	**6.85**	**2.01**	**8.86**	**6.78**	**21.43**	**28.21**

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

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

No operations were acquired or discontinued in the year.

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

Balance Sheet

	Notes	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Fixed assets			
Investments at fair value through profit or loss	9	82,135	72,931
Current assets			
Debtors and prepayments	10	584	667
Cash and short term deposits		6,673	3,341
		7,257	4,008
Creditors: amounts falling due within one year	11		
Bank loan		(7,000)	(7,000)
Other creditors		(365)	(159)
		(7,365)	(7,159)
Net current liabilities		(108)	(3,151)
Net assets		**82,027**	**69,780**
Capital and reserves			
Called-up share capital	12	11,905	10,320
Share premium account		12,942	3,408
Special reserve		41,783	41,783
Capital redemption reserve		2,099	2,099
Capital reserve	13	11,758	10,883
Revenue reserve		1,540	1,287
Equity shareholders' funds		**82,027**	**69,780**
Net asset value per share (pence)	15	172.25	169.04

The financial statements were approved by the Board of Directors and authorised for issue on 7 June 2018 and were signed on its behalf by:

R A M Ramsay
Chairman

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

Statement of Changes in Equity

For the year ended 30 April 2018	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2017	10,320	3,408	41,783	2,099	10,883	1,287	69,780
Total comprehensive income	-	-	-	-	875	2,988	3,863
Dividends paid (see note 7)	-	-	-	-	-	(2,735)	(2,735)
Discount control costs	-	(43)	-	-	-	-	(43)
Shares bought back into treasury	-	-	(1,693)	-	-	-	(1,693)
Shares issued from treasury	-	64	1,693	-	-	-	1,757
New shares issued	1,585	9,513	-	-	-	-	11,098
Balance at 30 April 2018	**11,905**	**12,942**	**41,783**	**2,099**	**11,758**	**1,540**	**82,027**

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

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

Cash Flow Statement

	Year ended 30 April 2018		Year ended 30 April 2017	
	£'000	£'000	£'000	£'000
Net return before finance costs and taxation		3,986		11,359
Adjustments for:				
Gain on investments		(1,246)		(8,855)
Exchange movements		-		4
Dividends		(3,816)		(3,500)
Dividends received		3,760		3,406
Loan interest paid		(145)		(85)
Tax paid		(5)		-
Decrease/(Increase) in other debtors		1		(5)
Increase in other creditors		23		44
Net cash inflow from operating activities		**2,558**		**2,368**
Investing Activities				
Purchases of investments	(28,538)		(31,069)	
Sales of investments	20,932		31,657	
Net cash (outflow)/inflow from investing activities		**(7,606)**		**588**
Financing Activities				
Proceeds of issue of shares	12,808		2,141	
Cost of share buybacks	(1,693)		–	
Equity dividends paid	(2,735)		(2,428)	
Net cash inflow/(outflow) from financing activities		**8,380**		**(287)**
Increase in cash		3,332		2,669
Exchange movements		-		(4)
Opening balance		3,341		676
Closing balance		**6,673**		**3,341**

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

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of Preparation and Going Concern

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on the assumption that approval as an investment trust will continue. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Strategic Report on page 17.

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

(b) Investments

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

(c) Income

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

(d) Expenses

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

- transaction costs on the acquisition or disposal of investments are charged to capital;
- expenses are charged to capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect the investment management fee and loan interest relating to the £14 million bank facility have been allocated 50% to capital and 50% to revenue within the Income Statement;
- loan break costs are charged 100% to capital within the Income Statement.

(e) Financial Assets and Liabilities

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

(f) Reserves

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

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

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

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

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

* Distributable reserves.

(g) Taxation

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

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

(h) Foreign Currency

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

(i) Interest Bearing Borrowings

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

2 Income

	2018 £'000	2017 £'000
Income from investments		
UK franked income	2,275	1,708
UK unfranked dividend income	559	742
Overseas dividends	982	1,050
Total income	**3,816**	**3,500**

3 Investment Management Fees

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	312	312	624	265	265	530

The Company's investment manager is Seneca Investment Managers Limited ('SIML'). The management fee payable is calculated by reference to the Company's market capitalisation, at a rate of 0.9% per annum on market capitalisation up to £50m and 0.65% per annum on market capitalisation above this figure. PATAC were appointed as AIFM with effect from 4 April 2018. From the same date the portfolio management services were delegated to SIML. The commercial terms are the same as the previous investment management agreement except that the cost of the AIFM is borne by SIML out of its management fee. The agreement is terminable by either party on twelve months' notice. In the event that the agreement is terminated SIML is entitled to 12 months of management fees. The fee is chargeable 50% to capital and 50% to revenue within the Income Statement, reflecting the split of long term returns between capital and revenue. The balance due to SIML at the year end was £55,500 (2017: £47,500).

4 Administrative Expenses	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Administration and company secretarial fees	120	-	120	129	-	129
Directors' fees	67	-	67	67	-	67
Printing and stationery	16	-	16	18	-	18
Auditors' remuneration:						
- audit (inclusive of VAT)	30	-	30	29	-	29
- compliance taxation services (inclusive of VAT)*	9	-	9	9	-	9
Other	210	-	210	210	-	210
	452	**-**	**452**	**462**	**-**	**462**

The Company has an agreement with PATAC Limited ('PATAC') for the provision of administration and Company secretarial services.
PATAC is entitled to a fixed fee of £110,000 per annum (index-linked).
The agreement is terminable by either party on three months' notice. No sum was due to PATAC at the year end (2017 - £nil).
*The 2018 charge relates to services provided in the prior year, invoiced in the current year.

5 Finance Costs	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
On bank loans	59	59	118	44	44	88

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

6 Taxation	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(a) Analysis of charge for the year						
Total tax charge/(credit)	**5**	**-**	**5**	**22**	**(22)**	**-**

(b) Factors affecting the tax charge for the year

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

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Net profit on ordinary activities before taxation	**2,993**	**875**	**3,868**	**2,729**	**8,542**	**11,271**
Corporation tax at 19.00% (2017 - 19.92%)	569	166	735	544	1,701	2,245
Effects of:						
Non-taxable UK dividends	(394)	-	(394)	(313)	-	(313)
Non-taxable overseas dividends	(187)	-	(187)	(209)	-	(209)
Overseas tax	5	-	5	-	-	-
Movement in unutilised management expenses	12	70	82	-	40	40
Gains on investments not taxable	-	(236)	(236)	-	(1,763)	(1,763)
Total tax payable	**5**	**-**	**5**	**22**	**(22)**	**-**

(c) Factors that may affect future tax changes

There was no provision for deferred taxation made for either this year or the previous year. The Company has not recognised a deferred tax asset of £1,027,000 (2017 - £994,000) arising as a result of non-trading deficits and eligible unrelieved foreign tax. These deficits will only be utilised if the Company has profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

7 Dividends

Amounts recognised as distributions to equity holders for the year ended 30 April 2018:

	2018 £'000	2017 £'000
Fourth interim dividend for 2017 - 1.58p (2016 - 1.52p)	640	607
First interim dividend for 2018 - 1.58p (2017 - 1.52p)	658	607
Second interim dividend for 2018 - 1.58p (2017 - 1.52p)	705	607
Third interim dividend for 2018 - 1.58p (2017 - 1.52p)	732	607
	2,735	**2,428**

A fourth interim dividend has been declared for the year of 1.64p (2017 - 1.58p) per share, amounting to £788,000 (2017 - £640,000). There is no final dividend proposed for the year (2017 - nil).

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158-1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £2,988,000 (2017 - £2,707,000).

	2018 £'000	2017 £'000
Fourth interim dividend for 2018 - 1.64p (2017 - 1.58p)	788	640
Third interim dividend for 2018 - 1.58p (2017 - 1.47p)	732	607
Second interim dividend for 2018 - 1.58p (2017 - 1.47p)	705	607
First interim dividend for 2018 - 1.58p (2017 - 1.47p)	658	607
	2,883	**2,461**

8 Return per Ordinary Share

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

		2018			2017	
	Revenue P	Capital P	Total P	Revenue P	Capital P	Total P
	6.85	2.01	8.86	6.78	21.43	28.21

The revenue return per Ordinary share is calculated on net revenue on ordinary activities after taxation for the year of £2,988,000 (2017 - £2,707,000) and on 43,620,786 (2017 - 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The capital return per Ordinary share is calculated on net capital profit for the year of £875,000 (2017 - profit of (£8,564,000) and on 43,620,786 (2017 - 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The total return per Ordinary share is calculated on total return for the year of £3,863,000 (2017 - gains of £11,271,000) and on 43,620,786 (2017 - 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

9 Investments

		Listed in the UK £'000	Unquoted and unlisted £'000	Total £'000
Fair value through profit or loss:				
Opening book cost		46,295	18,335	64,630
Opening fair value gains on investments held		6,019	2,282	8,301
Opening valuation		52,314	20,617	72,931
Movements in year:				
Purchases at cost		19,588	9,127	28,715
Sales	- proceeds	(15,229)	(5,528)	(20,757)
	- profit on sales	3,710	1,749	5,459
Movement in fair value of investments held		(3,090)	(1,123)	(4,213)
Closing fair value of investments held		**57,293**	**24,842**	**82,135**
Closing book cost		54,364	23,683	78,047
Closing fair value gains on investments held		2,929	1,159	4,088
		57,293	**24,842**	**82,135**

Gains on investments	2018 £'000	2017 £'000
Gains on sales	5,459	3,745
Decrease/(increase) in fair value of investments held	(4,213)	5,110
	1,246	**8,855**

Transaction costs

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

	2018 £'000	2017 £'000
Purchases	70	76
Sales	21	26
	91	**102**

10 Debtors: Amounts Falling Due Within One Year

	2018 £'000	2017 £'000
Dividends and interest receivable	524	468
Prepayments and other debtors	60	199
	584	**667**

None of the above amounts are past their due date or impaired (2017: nil).

11 Creditors: Amounts Falling Due Within One Year	2018 £'000	2017 £'000
Bank loan	7,000	7,000
Interest payable	8	3
Other creditors	357	156
	7,365	**7,159**

The Company has a £14,000,000 (2017: £11,000,000) revolving loan facility in place with Royal Bank of Scotland plc which expires in October 2020. At 30 April 2018 £7,000,000 had been drawn down at an all-in fixed rate of 1.9094% until 31 October 2018. At 30 April 2017 the amount of £7,000,000 had been drawn down at an all-in fixed rate of 0.9551% until 31 May 2017. The facility can be cancelled at any time without cost to the Company.

As at 30 April 2018 there was a commitment fee of £8,000 (2017 - £3,000) payable to the Royal Bank of Scotland on the undrawn bank loan facility.

12 Called up Share Capital	2018 £'000	2017 £'000
Called-up, allotted and fully paid		
47,621,361 (2017 - 41,281,361) Ordinary shares of 25p	11,905	10,320

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

During the year to 30 April 2018 the Company repurchased 1,000,000 Ordinary Shares (2017: nil) at a total cost of £1,693,000, all of which were placed in treasury.

During the year to 30 April 2018 the company re-issued 1,000,000 Ordinary Shares (2017: nil) from treasury for proceeds totalling £1,757,000.

During the year to 30 April 2018 there were 6,340,000 (2017 - 1,385,000) new Ordinary Shares of 25p each issued by the Company for cash proceeds totalling £11,098,000 (2017 - £2,334,000).

The costs of the operation of the discount control mechanism of £43,000 (2017 - £25,000) have been charged against the premium on shares issued.

13 Capital Reserve	2018 £'000	2017 £'000
Balance brought forward	10,883	2,319
Movement in fair value gains	1,246	8,855
Foreign exchange movement	-	(4)
Expenses allocated to capital reserves	(371)	(287)
Balance carried forward	**11,758**	**10,883**

The capital reserve includes investment holding gains amounting to £4,088,000 (2017 - gains of £8,301,000), as disclosed in note 9.

14 Commitments and Contingencies

As at 30 April 2018 there were no contingent liabilities (2017 - nil).

15 Net Asset Value Per Equity Share	2018	2017
Net assets attributable	£82,027,000	£69,780,000
Number of Ordinary shares in issue	47,621,361	41,281,361
Net asset value per Ordinary share	172.25p	169.04p

16 Risk Management, Financial Assets and Liabilities

The Company's financial instruments comprise:

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

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

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

– Other short term debtors and creditors.

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

Liquidity risk

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

Market risk

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

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

A list of the investments held by the Company at 30 April 2018 is shown in the 'Investment Portfolio' table on pages 11 and 12. All investments are stated at fair value.

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 April 2018 would have increased/decreased by £7,922,000 (2017 - increase/decrease of £7,083,000) and equity reserves would have increased/decreased by the same amount.

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

Interest Rate Risk

Financial Assets

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

Financial Liabilities

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

Maturity Profile

The maturity profile of the Company's financial assets and liabilities at 30 April 2018 and 30 April 2017 was as follows:

At 30 April 2018	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Bank loan	(7,067)	-	-	(7,067)
Cash	6,673	-	-	6,673

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

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

Interest Rate Sensitivity

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

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

– Profit before tax for the year ended 30 April 2018 would decrease/increase by £3,000 (2017 - £36,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings and floating rate cash balances. These positions have been calculated based on cash balance and borrowing positions at each year end.

– Profit before tax for the year ended 30 April 2018 would increase/decrease by £168,000 (2017 - £140,000). This is mainly attributable to the Company's exposure to interest rates on its third party managed debt funds, which are both fixed and variable rate vehicles. This is based on assumptions of modified duration on third party funds held.

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

Foreign Currency Risk

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

	2018		2017	
	Currency	Sterling equivalent	Currency	Sterling equivalent
Euro	313	275	530	446
US	5,019	3,645	6,377	4,926

At the year end the Company held foreign currency cash balances with the sterling equivalent of £42,000 (2017 - £83,000).

Other Price Risk

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

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process, as detailed on page 16, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The vast majority of investments held by the Company are listed on various stock exchanges worldwide.

Credit Risk

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

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

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

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

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

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

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

17 Capital Management Policies and Procedures

The Company's capital management objectives are:

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

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

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

Capital management	2018 £'000	2017 £'000
Debt		
Bank loan	7,000	7,000
Equity		
Equity share capital	11,905	10,320
Retained earnings and other reserves	70,122	59,460
	82,027	69,780
Debt as a % of net assets	8.53	10.03

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

18 Fair Value Hierarchy

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

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

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

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

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 30 April 2018 as follows:

Financial assets at fair value through profit or loss	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000
Quoted Equities	a)	57,293	-	-	57,293	52,314	-	-	52,314
OEICs	a)	21,497	-	432	21,929	17,441	621	446	18,508
Unquoted Equities	b)	-	-	2,913	2,913	-	-	2,109	2,109
Net fair value		**78,790**	**-**	**3,345**	**82,135**	**69,755**	**621**	**2,555**	**72,931**

(a) Quoted Investments

Quoted Equities included in Fair Value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments have been determined by reference to their quoted bid prices at the reporting date. The fair value for OEICs included in Level 1 and Level 2, has been determined based on prices published by the relevant Fund Manager. Those OEICs included within Level 1 are quoted in an active market. The fair value for OEICS in Level 3 has been determined based on prices published by the relevant Fund Manager with the application of an illiquidity discount.

(b) Unquoted Investments

The fair value of the Company's investments in unquoted stocks have been determined by reference to primary valuation techniques described in note 1(b). The unquoted investment AJ Bell has been valued at the most recent transaction price. This conservative approach means the holding will not be valued above the last transaction price unless the last transaction was a long time ago and market and company performance in the meantime warranted a revision. Even when there has been a transaction, the Manager and Directors will seek first to ascertain if the transaction price fairly reflects the underlying fundamentals of the company and market before using it as the new valuation.

They do this by looking at valuations of listed comparators, then applying a significant discount to reflect the unlisted nature of the holding. They will also consider performance of the company in relation to metrics such as growth in assets under administration, margin performance, and return on equity.

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

	Unquoted Equities £'000	OEICs £'000	Total £'000
Opening balance	2,109	446	2,555
Purchases	-	-	-
Sales	-	-	-
Transfers*	-	158	158
Total gains or losses included in gains on investments in the Income Statement:			
- on assets sold	-	-	-
- on assets held at the end of the year	804	(172)	632
Closing balance	**2,913**	**432**	**3,345**

*The Assured Fund has been transferred from level 2 to level 3 during the year ended 30 April 2018 following the application of a discount to the price to reflect the illiquidity of the holding.

19 Related Parties

The Directors of the Company receive fees for their services. Further details are provided in the Directors' Remuneration Report on pages 29 and 30.

20 Alternative Investment Fund Managers' Directive (AIFMD)

In accordance with the AIFMD, information in relation to the Company's AIFM, PATAC Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the relevant financial reporting period (year ending 30 April 2018) are available from PATAC on request.

The Company's maximum and actual leverage levels at 30 April 2018 are shown below:

	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	100%	108%

Glossary of Terms and Definitions

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

Notice of Annual General Meeting

Notice is hereby given that the twenty second annual general meeting of Seneca Global Income & Growth Trust plc will be held on Friday, 13 July 2018 at 12.30 p.m. at the James Doyle Suite, First Floor, Aloft Hotel Liverpool, 1 North John Street, Liverpool L2 5QW, for the purposes of transacting the following business:

Ordinary business

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

1. That the reports of the Directors and auditor and the audited financial statements for the year ended 30 April 2018 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 30 April 2018 be approved.
3. That the Company's dividend policy as set out on page 22 of the annual report and accounts for the year ended 30 April 2018 be and is hereby approved.
4. That Richard Ramsay, who retires annually, be re-elected as a Director.
5. That Ian Davis, who retires annually, be re-elected as a Director.
6. That James McCulloch, who retires annually, be re-elected as a Director.
7. That Ernst & Young LLP be reappointed as auditor of the Company.
8. That the Directors be authorised to determine the remuneration of the auditor.
9. That, in substitution for any pre-existing authority to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("**relevant securities**") up to an aggregate nominal amount of £4,008,030 (or such amount being equivalent to one third of the aggregate nominal amount of the issued share capital of the Company, excluding any treasury shares, at the date of passing of this resolution), such authority to expire on 13 October 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

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

10. That, subject to the passing of resolution 9, the Directors be and they are hereby empowered pursuant to section 570 and 573 of the Companies Act 2006 (the ''**Act**'') to allot equity securities (as defined in section 560 of the Act) pursuant to the authority granted by resolution 9 above or by way of the sale of shares from treasury, for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to the allotment of equity securities or the sale of treasury shares having a nominal amount not exceeding £1,202,409 (or such amount being equivalent to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution). Unless previously varied, revoked or renewed, the power hereby conferred shall expire on 13 October 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted or treasury shares sold after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
11. That, in addition to the authority granted in resolution 10, the Directors be and they are hereby empowered pursuant to section 570 and 573 of the Companies Act 2006 (the ''**Act**'') to allot further equity securities (as defined in section 560 of the Act) pursuant to the authority granted by resolution 9 above or by way of the sale of shares from treasury, for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to the allotment of further equity securities or the sale of treasury shares in connection with the Company's discount control mechanism and having a nominal amount not exceeding £2,404,818 (or such amount being equivalent to 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution). Unless previously varied, revoked or renewed, the power hereby conferred shall expire on 13 October 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted or treasury shares sold after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

12. That, the Company be and it is hereby authorised in accordance with section 701 of the Companies Act 2006 (the "**Act**") to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares (either for retention as treasury shares for future resale or transfer or for cancellation) provided that:

    (a) the maximum number of ordinary shares authorised to be purchased shall be 14.99 per cent. of the number of the ordinary shares in issue at the date on which this resolution is passed;

    (b) the minimum price which may be paid for an ordinary share shall be 25 pence;

    (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of:

        (i) 5 per cent. above the average of the market value of an ordinary share for the five business days immediately preceding the date of purchase; and

        (ii) the higher of the price of the last independent trade and the highest current independent bid for any number of ordinary shares on the trading venue on which the purchase is carried out; and

    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 13 October 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

13. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

Special business

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

14. That the new articles of association of the Company, a copy of which has been produced to the meeting and signed by the chairman for the purpose of identification, be and are hereby adopted as the articles of association of the Company to the exclusion of all previous articles of association with effect from the conclusion of the meeting.

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

15. That, pursuant to Article 137 of the Company's existing articles of association, the Company shall continue as an investment company.

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

16. That Article 137 of the Company's existing articles of association (being Article 142 in the new articles of association) in relation to annual continuation votes be deleted in its entirety.

By order of the Board
Steven Cowie
Company Secretary
7 June 2018

Registered Office
Level 13
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Notes:

1. Website

Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at www.senecaim.com.

2. Entitlement to attend and vote

Only Shareholders registered in the Company's register of members at 6.30 p.m. on 11 July 2018 (or, if the AGM is adjourned, at 6.30 p.m. on the day two business days prior to the adjourned meeting, excluding non-working days) shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after 6.30 p.m. on 11 July 2018 (or, if the AGM is adjourned, at 6.30 p.m. on the day two business days prior to the date of the adjourned meeting, excluding non-working days) shall be disregarded in determining the rights of any person to attend, speak and vote at the AGM.

3. Attending the AGM in person

A Shareholder who wishes to attend the AGM in person should arrive at the venue for the AGM in good time to allow their attendance to be registered. As they may be asked to provide evidence of their identity prior to being admitted to the AGM, it is advisable for Shareholders to have some form of identification with them.

4. Appointment and revocation of proxies

4.1 A Shareholder at the time set out in note 2 above is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy does not need to be a member of the Company but must attend the AGM to represent the Shareholder. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.

4.2 A Shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. A Shareholder cannot appoint more than one proxy to exercise rights attached to the same Ordinary Shares. If a Shareholder wishes to appoint more than one proxy, they should contact the Company's registrar, Equiniti Limited (the "**Registrar**"), on telephone number 0371 384 2411 or +44 121 415 7047 for International callers. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

4.3 If a Shareholder wishes a proxy to speak on their behalf at the AGM, the Shareholder will need to appoint their own choice of proxy (not the chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the Form of Proxy, electronically at www.sharevote.co.uk or through CREST.

4.4 A Shareholder may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Vote Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that a vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of the proportion of votes "For" or "Against" that particular resolution.

4.5 A Shareholder who wishes to change their proxy instruction must submit a new appointment of proxy in accordance with notes 5-8 (as appropriate) below. If a Shareholder requires another hard-copy Form of Proxy to enable them to change their proxy instruction, they should contact the Registrar on either of the telephone numbers set out in note 4.2 above.

4.6 In order to revoke a proxy instruction, a Shareholder must inform the Company by sending a hard-copy notice clearly stating their revocation of their proxy instruction to the Registrar, FREEPOST RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 8LU. In the case of a Shareholder that 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. The revocation notice must be received by the Registrar not later than 12.30 p.m. on 11 July 2018.

4.7 Appointment of a proxy will not preclude a Shareholder from attending the AGM and voting in person.

4.8 A person who is not a Shareholder but has been nominated by a Shareholder to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 10 below.

5. Appointment of proxy using hard-copy Form of Proxy

The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the resolution. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed and signed and sent or delivered to the Registrar, FREEPOST RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 8LU, so as to be received by the Registrar by not later than 12.30 p.m. on 11 July 2018. In the case of a Shareholder which is a company, the Form of Proxy 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 other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

6. Appointment of proxy online

You may, if you wish, register the appointment of a proxy or voting instruction for the meeting by logging onto www.sharevote.co.uk. You will need to use the series of numbers made up of your Voting ID, Task ID and Shareholder Reference Number printed on your Form of Proxy. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti not later than 12.30 p.m. on 11 July 2018. Please note that any electronic communication sent to the Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by Equiniti's conditions of use set out on the website, www.sharevote.co.uk and may be read by logging onto the site.

7. Appointment of proxy through CREST

7.1 CREST members who wish to appoint a proxy or proxies for the AGM by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at www.euroclear.com. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting 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.

7.2 In order for a proxy appointment made via CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear 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 be transmitted so as to be received by the Registrar (ID RA19) by not later than 12.30 p.m. on 11 July 2018. 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 Applications Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

7.3 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. 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(s), to procure that their 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

7.4 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.

8. Appointment of proxies by joint members

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 Company's register of members in respect of the joint holding (the first named being the most senior).

9. Corporate representatives

Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a Shareholder provided that no more than one corporate representative exercises powers over the same Ordinary Share(s).

10. Nominated Persons

10.1 A person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**"): (i) may have a right under an agreement between the Nominated Person and the Shareholder who has nominated them to have information rights (the "**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the AGM; and (ii) if they either do not have such a right or if they have such a right but do not wish to exercise it, may have a right under an agreement between them and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. A Nominated Person's main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, their custodian or broker) and they should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.

10.2 The rights of Shareholders to attend the AGM and to appoint proxies set out in notes 2 and 4 above do not apply directly to a Nominated Person.

11. Website publication of audit concerns

Pursuant to Chapter 5 of Part 16 of the Companies Act (sections 527 to 531), where requested by (an) Shareholder(s) meeting the qualification criteria set out in note 12 below, the Company must publish on its website a statement setting out any matter that such Shareholder(s) propose(s) to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM. Where the Company is required to publish such a statement: (i) it may not require the Shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request; (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and (iii) the statement may be dealt with as part of the business of the AGM.

The request: (a) may be in hard copy form or in electronic form (see note 13 below); (b) either set out the statement in full or, if supporting a statement sent by another Shareholder, clearly identify the statement which is being supported; (c) must be authenticated by the person or persons making it (see note 13 below); and (d) be received by the Company at least one week before the AGM.

12. Shareholders' qualification criteria

In order to be able to exercise the members' right to require the Company to publish audit concerns (see note 11 above) the relevant request must be made by: (i) (an) Shareholder(s) having a right to vote at the AGM and holding at least 5 per cent. of the total voting rights of the Company; or (ii) at least 100 Shareholders having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

13. Submission of hard copy and electronic requests

Where (an) Shareholder(s) wish(es) to request the Company to publish audit concerns (see note 11 above) such request be must be made in accordance with one of the following ways: (i) a hard copy request which is signed by the Shareholder(s), states their full name(s) and address(es) and is sent to The Company Secretary, PATAC Ltd, 21 Walker Street, Edinburgh EH3 7HX; (ii) a request which is signed by the Shareholder(s), states their full name(s) and address(es) and is sent to The Company Secretary, PATAC Ltd, 21 Walker Street, Edinburgh EH3 7HX; or (iii) a request which states "SIGT - AGM" in the subject line of the e-mail and the full name(s) and address(es) of the Shareholder(s) and is sent to cosec@patplc.co.uk.

14. Questions at the AGM

Under section 319A of the Companies Act 2006, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a Shareholder attending the AGM unless: (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

15. Total Voting Rights
At 7 June 2018, the Company's issued share capital comprised 48,096,361 Ordinary Shares, none of which were held in treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at 7 June 2018 was 48,096,361.

16. Disclosure obligations
Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the chairman of the AGM as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the FCA's Disclosure Guidance and Transparency Rules.

17. Communication
Any electronic address provided either in this notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company may not be used for any purposes other than those expressly stated.

18. Documents on Display
Copies of the Directors' letters of appointment will be available for inspection at the place of the AGM from at least 15 minutes prior to the AGM until the end of the AGM.

Summary of Article Changes

The Company proposes to adopt new articles of association (the '**New Articles**'). The principal changes proposed to be introduced in the New Articles and their effects are set out below.

1. The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

1.1 The Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

1.2 The AIFM Regulations require that prior to any new or existing investor making an investment in the Company certain prescribed information is to be made available to them. Therefore, the New Articles will include language with the effect that such information shall be made available to prospective and existing shareholders in such manner as may be determined by the Board from time to time (including, in certain cases, on the Company's website or by electronic notice).

1.3 The valuation of the Company's assets will be performed in accordance with prevailing accounting standards, in line with guidance from the Financial Conduct Authority. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

1.4 The Existing Articles will be amended to provide that the Company's annual report and accounts may be prepared either in accordance with generally acceptable accounting principles of the United Kingdom or such other international accounting standards as may be permitted under UK law. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

2. International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

The Hiring Incentives to Restore Employment Act 2010 of the United States of America commonly known as the Foreign Account Tax Compliance Act and all associated regulations and official guidance ('**FATCA**') imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1 September 2013. These regulations have now been replaced by the International Tax Compliance Regulations 2015 (the '**Regulations**').

The Existing Articles will be amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA and consequently having to pay withholding tax to the US Internal Revenue Service. The Existing Articles will also be amended to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole.

The Regulations also include the automatic exchange of information regimes being brought in by the new tax regulation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) which will require investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As a result, the Company will have to provide information annually to the local tax authority on the tax residency of a number of non-UK based certified Shareholders and corporate entities.

Therefore, the Existing Articles will also be amended in order to provide the Company with the ability to require shareholders to co-operate in respect of these broader obligations including its obligations under the OECD and FATCA.

Corporate Information

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Richard A M Ramsay, Chairman
Ian R Davis
James R McCulloch

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Company Registration Number: 03173591

Alternative Investment Fund Manager, Company Secretary and Administrator

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Registrars

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Shareview dealing helpline **0345 603 7037**
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International helpline **+44 121 415 7047**

Lines open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Website **www.senecaim.com**

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to it. Details of the privacy policy can be found on the website www.senecaim.com

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