STRATEGIC EQUITY CAPITAL PLC

REPORT & FINANCIAL STATEMENTS

for the year ended 30 June 2018

Investment Objective

The investment objective of Strategic Equity Capital plc ("the Company") is to achieve absolute returns (i.e. growth in the value of investments) rather than relative returns (i.e. attempting to outperform selected indices) over a medium-term period, principally through capital growth.

The Company's investment policy can be found on page 14.

Investment Manager's Strategy

The strategy of GVQ Investment Management Limited ("GVQIM" or the "Investment Manager") is to invest in publicly quoted companies which will increase their value through strategic, operational or management change. GVQIM follows a practice of constructive corporate engagement and aims to work with management teams in order to enhance shareholder value.

A more detailed explanation can be found in the Investment Manager's Report on page 5.

Shareholder Information

Financial calendar

Company's year-end	30 June
Annual results announced	September
Annual General Meeting	November
Company's half-year	31 December
Half yearly results announced	February

Share price

The Company's Ordinary shares are premium listed on the main market of the London Stock Exchange plc (the "London Stock Exchange"). The share price is quoted daily in the Financial Times under 'Investment Companies'.

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar on 0370 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 60.

NAV

The Company's net asset value is announced daily to the London Stock Exchange.

Website

Further information on the Company can be accessed via the Company's website www.strategicequitycapital.com.

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Financial Summary

	At 30 June 2018	At 30 June 2017	% change
Capital return			
Net asset value ("NAV") per Ordinary share†	**260.16p**	256.00p	1.6%
Ordinary share price	**220.00p**	223.50p	(1.6)%
Discount[1] of Ordinary share price to NAV	**(15.4)%**	(12.7)%	
Average discount of Ordinary share price to NAV for the year	**(13.5)%**	(11.0)%	
Total assets (£'000)	**175,224**	179,176	(2.2)%
Equity Shareholders' funds (£'000)	**174,281**	176,344	(1.2)%
Ordinary shares in issue with voting rights	**66,990,660**	68,883,472	(2.7)%

	Year ended 30 June 2018	Year ended 30 June 2017
Performance		
Total return for the year[2]	**1.8%**	29.6%
Ongoing charges[3]	**1.14%**	1.25%
Ongoing charges[3] (including performance fee)	**1.14%**	2.41%
Revenue return per Ordinary share	**1.65p**	1.31p
Dividend yield[4]	**0.5%**	0.3%
Proposed final dividend for the year	**1.00p**	0.78p

Year's Highs/Lows	**High**	**Low**
NAV per Ordinary share	277.3p	252.8p
Ordinary share price	241.0p	218.0p

† *Net asset value or NAV. The value of total assets less current liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.*

Alternative Performance Measures

1 *Discount. The amount by which the Ordinary share price is lower than the net asset value per Ordinary share. The discount is normally expressed as a percentage of the net asset value per share.*

2 *Total return. Total return is the increase/(decrease) in NAV per share plus the dividends paid, which are assumed to be reinvested at the time the share price is quoted ex-dividend.*

3 *Ongoing charges. Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies industry standard method.*

4 *Dividend yield. The proposed annual dividend expressed as a percentage of the share price.*

Directors

The Directors in office at the date of this report, all of whom are non-executive, were as follows:

Richard Hills (Chairman) – Independent Director

Mr Hills has substantial investment trust board experience and is currently on the boards of JPMorgan Multi-Asset Trust plc, Henderson International Income Trust plc and is chairman of SQN Secured Income Fund plc. Mr Hills was appointed to the Board on 5 March 2014.

Sir Clive Thompson (Deputy Chairman) – Non-independent Director

Sir Clive Thompson served as chairman of Rentokil Initial plc between 2002 and 2004, having been chief executive for 20 years to 2002. He is a former president of the CBI, member of the Committee on Corporate Governance and deputy chairman of the Financial Reporting Council. Sir Clive is also a former director of J Sainsbury plc, Wellcome plc, Seeboard plc, Caradon plc and BAT Industries plc. He is deemed non-independent by virtue of his position on the Industry Advisory Panel ("IAP") of the Investment Manager. Sir Clive was appointed to the Board on 1 July 2005.

William Barlow – Independent Director

Mr Barlow is currently chief executive officer of Majedie Investments PLC, having been a director since 1999. He is a non-executive director of Majedie Asset Management Limited and was previously chief operating officer at Javelin Capital LLP. Mr Barlow joined Skandia Asset Management Limited as an equity portfolio manager in 1991 and was managing director of DNB Nor Asset Management (UK) Limited. He is also a Trustee of Racing Welfare. Mr Barlow was appointed to the Board on 1 February 2016.

Josephine Dixon – Independent Director

Miss Dixon, a Chartered Accountant, has a career that spans a number of financial and commercial roles in a variety of sectors from financial services to football. She has substantial investment trust board experience and is currently on the boards of BB Healthcare Trust PLC, F&C Global Smaller Companies PLC, Standard Life Equity Income Trust plc, JPMorgan European Investment Trust plc and Ventus VCT PLC. Miss Dixon was appointed to the Board on 14 July 2014.

Richard Locke – Independent Director

Mr Locke is Vice Chairman of Fenchurch Partners Limited, an independent corporate finance advisory firm that specialises in the financial services sector. Previously he was a partner of Cazenove & Co. and then a director at its successor firm, JPMorgan Cazenove. Mr Locke was appointed to the Board on 10 February 2015.

Strategic Report

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform members of the Company and help them to assess how the Directors have performed their legal duties under Section 172 of the Act to promote the success of the Company.

Chairman's Statement

Introduction

Following a near 30% increase in net asset value ("NAV") per Ordinary share in the previous year, the past 12 months have proved more difficult. It is not unusual for your Company to experience large swings from year-to-year in both performance and discount and this is to be expected when investing in a portfolio of fewer than 20 holdings.

At present we seem to be near one extreme, with moderately disappointing performance leading to a larger than normal discount. Our Investment Manager has kept true to its proven investment process of buying undervalued shares that are out of favour but which have good prospects, while avoiding chasing shares of companies that may be described as "flavour of the day", where share price and value have become dislocated.

The Board, together with your Investment Manager, frequently re-assesses the investments held, looking not only at the potential for these companies to perform more strongly, but also considering their attractiveness to third parties. Over the years a significant degree of performance has been generated by the takeover of companies held in our portfolio, often added into the portfolio at a point where they are heavily out of favour, and by its nature this activity increases the volatility while reducing the predictability of returns.

In the opinion of your Investment Manager and Board, the portfolio is significantly under-valued. We anticipate that the public market will acknowledge this fact over time (or potential acquirers if the dislocation persists) and re-rate individual shares and, therefore, the portfolio in aggregate. As this transpires and performance improves, the discount should narrow.

Performance

As at 30 June 2018, the Company's NAV was 260.16 pence per share (net assets of £174.3 million). This represented an increase of 1.6% over the period. On a total return basis, the NAV per share increased by 1.8%, which was behind the FTSE Small Cap ex Investment Trusts Total Return Index ("FTSE Small Cap Index"), which increased by 6.4%. The share price fell during the year by 1.6%.

The Company has delivered NAV total return per share of 20.4% over the past three years compared to a total return of 31.6% from the FTSE Small Cap Index. The five-year NAV total return per share of 112.1% has exceeded the return from the FTSE Small Cap Index by 33.3%. Importantly, this growth has been achieved without gearing.

The Board is also pleased to report that as a result of the management fee negotiations the ongoing charges figure has reduced from 1.25% to 1.14%.

Discount Management

The average discount to NAV of the Company's shares over the past twelve months was 13.5%, which was wider than the equivalent 11.0% figure from the prior year. The discount range was 11.1% to 16.7%.

The Board monitors closely the discount to NAV at which the Company's shares trade and has actively used the share buy-back powers granted to it by shareholders at last year's AGM. During the year a total of 1,892,812 shares (2.8% of the shares in issue at the year end) were bought back at an average discount of 14.4% for an aggregate consideration of £4.3 million.

The Board accepts that using this facility may have a positive but limited effect on the level at which the Company's shares trade. It is also aware that reducing the size of the Company through share buy-backs may reduce the long-term share liquidity of the Company. Nevertheless the Company will continue to buy back shares in normal market conditions while this represents an excellent opportunity to purchase shares in an undervalued portfolio at a wide discount.

In recent weeks I have met with a number of our major shareholders who are supportive of the Board on this approach.

Dividend

The Directors continue to expect that returns for shareholders will derive primarily from the capital appreciation of the Company's shares rather than from their dividends. During the year more dividend income than expected was received from our underlying investments, reflecting their strongly growing profits.

In order to continue qualifying as an investment trust, no more than 15% of the income which the Company derives from its investments can be retained in any financial year. Accordingly the Board is proposing a final dividend of 1.00p per Ordinary share for the year ending 30 June 2018 (0.78p in 2017), payable on 14 November 2018 to shareholders on the register as at 12 October 2018. This is an increase of 28.2% from the previous year.

Chairman's Statement *(continued)*

Development of the Company

On 21 December 2017, RIT Capital plc ("RIT") entered into a management buyout ("MBO") agreement to sell its shares in the Company's Investment Manager, GVQ Investment Management Ltd ("GVQ"), to GVQ's management. RIT remains a supportive shareholder in the Company.

Following this transaction your Board has negotiated two significant and beneficial amendments to the terms of the Investment Management Agreement with GVQ: a new fee structure and a reduction in the notice period.

The terms of the new fee structure, which became effective from 1 January 2018, are detailed in the Strategic Report on pages 15 and 16. Under this new structure, management fees will potentially reduce significantly, particularly in years of strong out-performance, whilst leaving the Investment Manager well incentivised.

The reduction of the notice period is from 12 months to six months and will be effective from 1 October 2018.

The Board

Your Board has continued to operate effectively and at the corporate governance level it has succeeded in improving the terms and quality of services that the Company receives.

The composition of the Board has not changed during the year. However, as I noted in last year's report, we will sadly lose Sir Clive Thompson at this year's AGM. Sir Clive has been a Director of this Company for many years and has offered sound and helpful advice throughout; the Board will miss his input.

The Board is conscious that in replacing Sir Clive an ideal candidate should have experience of working in industry. We have engaged a firm of search consultants and are awaiting their initial review.

Gearing and Cash Management

The Company has maintained its policy of operating without a banking loan facility. This policy is periodically reviewed by the Board in conjunction with the Investment Manager.

The Board, together with the Investment Manager, has a conservative approach to gearing because of the concentrated nature of the portfolio. No gearing has been in place at any point during the period. Cash balances are generally maintained to take advantage of suitable investment opportunities as they arise.

Annual General Meeting

We hope that as many shareholders as possible will attend the Company's Annual General Meeting, which will be held at the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR on 7 November 2018. This will be an opportunity to meet the Board and to receive a presentation from the Company's Investment Manager.

Outlook

The Board remains committed to the Company's investment objective of achieving absolute returns over a medium-term period and considers that the Company's portfolio of shares remains undervalued. The Directors believe that the proven process, sound research and ability of the Investment Manager that underlies the purchase and retention of each holding will be reflected, in due course, in continuing positive returns to shareholders.

The Board, once again, thanks you for your continued support.

Richard Hills
Chairman
28 September 2018

Investment Manager's Report

Investment Strategy

Our strategy is to invest in publicly quoted companies which we believe will increase in value through strategic, operational or management change. We follow a practice of constructive corporate engagement and aim to work with management to enhance shareholder value. We try to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters. Where possible we avoid confrontation with investee companies as we believe overtly hostile activism often does not produce the desired outcome.

We are long-term investors and typically hold investments over a rolling three-year investment plan. These plans can be shortened by transactional activity or lengthened by adverse economic conditions. Before investing we undertake extensive due diligence, assessing market conditions, management and stakeholders. We also refine our entry and exit strategy to generate a clearly identified route to value creation. Our investments are underpinned by valuations which we derive using private-equity-based techniques. These techniques focus on cash flow, the potential value of the company to trade or financial buyers and potentially beneficial changes in capital structure.

We believe that smaller companies provide the greatest opportunity for our investment style as they are relatively under-researched, often have more limited resources, and frequently are more attractively valued. The typical investee company, at the time of initial investment, is too small to be considered for inclusion in the FTSE 250 Index.

Market Background

The reporting period was 'a year of two halves'. The second half of 2017 was fairly benign for UK equity markets with very low volatility and share prices rising gradually on the back of improving global economic growth and more positive investment sentiment.

In contrast the first half of 2018 saw greater market volatility and increasing concerns on many fronts including; the sustainability of growth, a tightening of interest rates and the resultant impact on asset prices, high debt levels, declining productivity trends, trade wars and geopolitical problems.

In our view, this volatility has been amplified at the smaller end of the market following the introduction of the MiFID II Directive at the start of 2018. This has perpetuated many historic trends, with reduced 'sell-side' resource and a decrease in the dissemination of research leading to heightened volatility on low volumes, often in response to limited news flow fuelling pricing anomalies, which can take a long time to correct. Whilst challenging, in our view, this will provide greater opportunities over the long-term, where securities are fundamentally mispriced. We discuss this further in the Outlook section.

The small cap market has demonstrated similar traits to that of recent years. Investors have sought shelter (often from the above) in dependable, highly rated growth stocks, which continue to perform well both operationally and from a share price perspective. Profit valuation multiples of 30-80x are not uncommon and, of slight concern, the definition of 'peers' becomes broader to justify high valuations and there is a growing incidence of public market valuations at premia to precedent transactions. As ever, owing to our defined process and focus on valuation, we do not participate in this part of the market. Although growth has continued to be impressive and even further re-ratings are possible, we would be reticent to chase these up.

As an asset class, UK equities remain out of favour with almost £10bn withdrawn from UK equity funds since the EU Referendum in June 2016. This downbeat view is not shared universally with a heightened degree of UK M&A activity over the past twelve months. Having raised record amounts in 2017, Private Equity is believed to have over $1 trillion in 'dry powder' according to Preqin and there have been notable take-outs in UK small cap including portfolio company Servelec and others including Laird and approaches for BCA Marketplace and IWG. Furthermore, European target M&A is as high as it has been since 2007. Where markets don't re-rate good companies, buyers often correct the valuation gap.

Performance Review

Whilst the first half of the period was strong, the second half was more challenging. In the main, performance across the portfolio was encouraging but weak share prices concentrated in a few names held the performance back. Where 98% of professionally managed money involves portfolios of more than 30 stocks (according to General Atlantic), the Company is differentiated in running a much more concentrated portfolio. As such, single stock issues can have an amplified impact (in either direction) over discrete periods, with the fourth quarter providing evidence of this.

The primary positive and negative attributors to performance are detailed further on in this report. Those stocks that disappointed over the period have specific issues and continue to be an area of detailed focus and attention for us where we challenge both the veracity of our assumptions, and our portfolio companies on their delivery.

Investment Manager's Report *(continued)*

Top 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Alliance Pharma	6,616	300
Equiniti	14,327	150
Harworth	7,903	105
Clinigen	12,549	105
Numis	5,105	82

Alliance Pharma was a new investment made in May 2017. As detailed in the prior year Annual Report; we believed 'the high free cash flow yield at investment is very attractive and, in our view, unreflective of the potential opportunities'. Our thesis at the time of investment was that there was an undue concern with gearing levels depressing the rating, which ignored the cash generation ability of the company. As it degeared, we believed the shares would re-rate. In addition, we believed improvements in the business model through European expansion and product diversification were underappreciated. Alongside solid growth and sensible product acquisitions, the rating improved significantly over the course of the last year. This was aided towards the end of the period with the approval of the anti-nausea treatment Diclectin. With the thesis playing out ahead of our expectations, with, in our view, limited scope for further re-rating, we have realised a significant proportion of the investment (substantially all of the initial cost), with the investment delivering an IRR of 87%.

The share price of **Equiniti** was very strong over the first half of the period and into the beginning of 2018. This followed the company announcing the acquisition of Wells Fargo's Share Services business in July 2017. We view this as a long-term positive development for the company. Our belief is that the asset provides the company with the opportunity to replicate the success they have demonstrated in the UK market in the North American market which is seven times larger. Alongside the acquisition, underlying trading was strong with market share gains (in a traditionally stable market) and good revenue growth in the two core divisions. Computershare's acquisition of Equatex in May 2018 for a reported 19x EV/EBITDA demonstrates the intrinsic value of these businesses.

Our investment in **Harworth** was significantly increased (c.1 million shares) in the prior year, first, in a placing in March 2017 and again in May 2017 with a block purchase. These were acquired at a significant discount to NNNAV. (NNNAV is the group's measure of asset value, it includes the market value of development properties, less notional deferred tax). The share price increased by over a third over the period through a combination of continued growth in the net asset value and a closing of the discount of the shares to that value. Pleasingly, the company continues to generate NAV growth through internal actions such as successful planning permissions and uplifts on lettings, rather than the appreciation of land values. Furthermore, the company continues to realise sites at attractive premia to book value and recycle this into growing its strategic land bank and income generating portfolio. We took part in a visit to the company's sites in Yorkshire which demonstrated the scale of Harworth's development activities.

The share price of **Clinigen** was volatile over the period. Results demonstrated strong growth in the Asia-Pacific region and also in their portfolio of commercial medicines. The company acquired Quantum Pharma in September 2017 for £156m. This acquisition provides the company with in-house development capability and a pipeline of potentially new products.

Numis, the institutional stockbroking and corporate advisory firm, was a new investment made in October 2017, with the share price total return of 46% over the period. Underlying business performance has been very strong with Numis gaining market share from larger and smaller competitors and undertaking additional higher margin advisory work from its growing corporate client base. This has generated a substantial cash pile, which should provide the company with a strong market position through the cycle.

Outside the top five contributors, there was strong share price performance from Oxford Metrics which delivered a 32% total shareholder return. We took part in a site visit in January 2018 to evidence the progress being made in both the motion measurement division, Vicon and the infrastructure asset management business, Yotta. Recent results have been encouraging.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Medica	8,877	-280
IFG Group	13,489	-171
Dialight	4,328	-145
Proactis	7,428	-109
Brooks Macdonald	6,080	-26

After a strong initial share performance following **Medica's** IPO last year, the shares were weaker in the second half of the period. The main reason was the company's full year organic growth rate of 18% was slower than the market expected based on guidance provided by the company. Whilst the poor guidance is disappointing and frustrating, the market appears to have taken umbrage whilst overlooking the continuing operational progress. The company is performing strongly, broadly in line with expectations at the time of investment and has made significant progress since listing. Underlying sales and profit growth are strong and radiologist recruitment is increasing at a supportive rate. The company is largely degeared and continues to generate strong cash flow. We do not feel that the current valuation reflects the company's future prospects. We continue to engage closely with management on messaging in the public markets and the long-term business strategy. We bought shares in the company at what we believe were heavily depressed valuation levels through the first half of 2018. Following a strong interim results trading statement in July, with another period of 18% organic growth, the share price is back above its IPO price.

The share price of **IFG Group** weakened towards the end of the period. This largely resulted from the aborted sale of the Saunderson House division. In February 2018, the company announced that in response to incoming interest and with a view to maximising shareholder value they would look to sell their independent wealth management business. Despite indicative offers in line with expectations, the company decided against a sale owing to transaction risks which could negatively impact value for shareholders. Whilst disappointed with how this was handled and that our thesis wasn't realised through a transaction, the intrinsic value of the assets is unaffected. The company's assets under management have grown over 15% per annum over the past three years to over £30bn and, in our view, both companies have enviable levels of client retention and have improved their business models over recent years. Our view remains that the two individual businesses (James Hay and Saunderson House) are independently more valuable than in the current group structure and than the prevailing share price suggests. Ongoing consolidation and an increasing incidence of listed peers in both the wealth management and platform industries demonstrate considerable valuation upside in our view.

Dialight was a disappointment over the period. The investment thesis is predicated on a leading business in a niche industrial electronics market undertaking conversion from conventional to LED lighting. The company has high market share and strong intellectual property. However, the long-term growth opportunity was only part of the thesis, with the company's strategy to enhance its business model providing further potential margin and cash flow benefits. This included product modularisation and development, sales force improvements, increasing addressable markets and improving the manufacturing process. The last of these caused significant issues over the period with execution problems at Dialight's outsourcing partner. This resulted in significant downgrades to profitability. Owing to the issues encountered, we expect the company to pursue a hybrid manufacturing strategy, outsourcing subassembly of certain elements, whilst retaining key techniques in-house. While disappointed to have incurred this disruption so early into our investment, we believe the expected scale and manufacturing benefits still pertain. Underpinning the investment is the long-term attractive characteristics of the market, the strong product position and intellectual property and a strong balance sheet. We continue to monitor the progress of the company against our investment thesis.

Proactis was a new investment made in the period as detailed in the following section. Following strong updates in October last year and February of this year, the company warned on profits in April. The primary reasons were the loss of two large customers, adverse foreign exchange movements and an incrementally slower pipeline of new business. The extent of the downgrade was magnified in the share price reaction. This was unexpected by us and the market given the market leading levels of customer retention (95%) and history of operational delivery. The company later disclosed that the two customers took a single product as opposed to a suite, were multinationals as opposed to their core base of SMEs and public sector bodies and had given notice to transition away over a number of years, but left sooner than this. Whilst this is very disappointing, the levels of retention remain very high, the ongoing customer concentration risk is low and the product quality is unaltered as evidenced by the continuing high win rate and a demonstration we attended at their Head Office. We believe the company is well positioned in the growing but fragmented Procure-to-Pay (P2P) software market. We note a number of recent trade and private equity transactions in the space.

Brooks Macdonald's share price suffered from additional costs relating to regulatory requirements and the addressing of legacy legal issues. Despite the Company having one of the higher growth rates amongst its peer group, its valuation is at a significant discount.

The average cash balance held by the Company was 8.42% over the period. The approach of the Board and Investment Manager is one of no gearing and to retain sufficient cash to enable the ability to participate in liquidity events without being a forced seller of existing holdings. The ending cash balance was 7.6%, the same level as at the beginning of the period.

Investment Manager's Report *(continued)*

Dealing activity

Disposals netted £51.0m (excluding distributions from unquoted listed investments) representing 28% of the weighted average NAV. In addition, £0.6m of net distributions were received from unquoted listed investments. Purchases of £48.1m were made, representing 27% of the weighted average NAV.

There were a number of full and partial realisations in the period. As detailed in the interim report, investments in **Servelec** and **Goals Soccer Centres** were fully realised. The takeover of Servelec by Montagu Private Equity concluded in January, realising £15.9m. The investment delivered an IRR of 15% over the four years of ownership. The position in legacy investment Goals Soccer Centres was realised for £6.7m in August 2017 at an average price of 100p. Owing to additional maintenance capex required to maintain the estate, our assessment of the return on capital the business makes has decreased. With a deterioration in cash flow, we believed there was also balance sheet risk.

In addition, the long standing investment in **Gooch and Housego** was fully realised. We view its business and management as very high quality: however, this is well reflected in a rating of greater than 18x operating profit, with future returns increasingly dependent on growth.

Partial realisations were made in both **Equiniti** and **Alliance Pharma**. The share price of Equiniti was strong as detailed in the performance review owing to the continuing positive underlying business performance. As a result of the increasing portfolio weight and rating, £12.5m was realised at an average price of 296p over the period. Post period end, the share price weakened significantly owing to market concerns about the underlying business. We strongly believe that many of the concerns are based on a misunderstanding of the business and, in volatile markets, have led to a punitive de-rating and mis-valuation. As such, we bought back a large number of shares on weakness through the summer. Despite Alliance Pharma being a new investment made in May 2017, £6.7m of the investment was realised (substantially all of the initial purchase cost). One of our four drivers of returns, re-rating, materially played out, this prompted our sell discipline.

Investments were made both in new holdings and the existing portfolio. In terms of new holdings, **Proactis** was a new investment made towards the end of 2017 at a cost of £9.5m. The company is a global provider of e-procurement and spend control software as a service. Despite its small size, it has leading independent accreditation from Gartner and is ranked as a top global provider in a structurally growing market. The proposition delivers a tangible quick payback on the spending activity of over 1,000 enterprise customers and the company has strong financial characteristics in our view. This includes EBITDA margins of over 30%, high recurring revenues of over 85% and a strong cash profile. Given the attractiveness and growing nature of this niche market, peers are rated at significant premia and there has been consolidation at high valuations. Proactis has participated, acquiring to enhance its proposition and could itself be a target over time if the valuation discount persists.

We participated in a placing in **Ergomed**, a pharmaceutical services company, acquiring a £4.5m block. The company has two separate divisions, one providing clinical trial research services and the other pharmacovigilance services. We believe that pharmacovigilance (drug safety monitoring) is an attractive structural growth area with the increase in both pharmaceutical companies outsourcing this activity and the complexity of reporting requirements providing long-term drivers for Ergomed. This activity has high retention rates and repeatability of business with Ergomed holding a strong market position. As this division becomes a larger proportion of the whole of the business, we expect value to be realised through either a re-rating on the public market or a transaction.

A new investment was made in **Numis** at a cost of £3.7m. Numis is an institutional stockbroking and corporate advisory firm. The company has made very strong progress in recent years growing a leading position among both its institutional and corporate clients which provides a network effect. This has helped grow both the primary and secondary sides of the business. The business is highly cash generative which should help further improve the market position through the cycle. We believe Numis is a quality strategic asset.

Furthermore, we participated in the **Equiniti** rights issue (£2.7m) as part of the transaction to acquire Wells Fargo's Shareholder Services business. Despite being investors in **4imprint** for a number of years, we added to our holding (£2.3m) in the first quarter of 2018 following a temporary de-rating of the shares based on what we believe are unfounded concerns on its market.

Portfolio Review

The portfolio remained highly focused with a total of 18 holdings and the top 10 holdings accounting for 70% of the NAV at the end of the financial period. 99.5% was invested in quoted companies. The percentage of the portfolio invested in unquoted securities fell from 0.8% to 0.5%. 7.6% of the NAV was held in cash at the period end.

Changes in sector weightings have seen exposure to Technology (software and computer services) reducing from 27.1% to 22.1%. Financials has increased from 9.8% to 14.2% and Healthcare accounts for 18.5% compared to 17.6% in the prior year. The exposure to consumer services reduced from 4.1% to zero following the exit in Goals Soccer Centres.

Overseas sales have increased as a proportion of the portfolio. This resulted partially from the realisation of investments in Servelec and Goals Soccer Centres and through the international nature of operations of underlying portfolio companies. For example, Tribal, Equiniti, Clinigen, 4imprint and Proactis have significant international earnings.

We screen for potential investments based on a long standing process focusing on 'four drivers' of equity returns: growth, value, corporate activity and de-gearing. We believe this combines the best aspects of public market and private equity investing and improves the chance of delivering shareholder value creation. Our focus is on specific companies as opposed to a 'top-down' overlay. Through the underlying holdings, we believe that the current portfolio is exposed to multi-year investment themes including the growth in regulation and compliance, digital health, non-R&D based pharmaceuticals, the growth in the pensions and savings market and infrastructure and building.

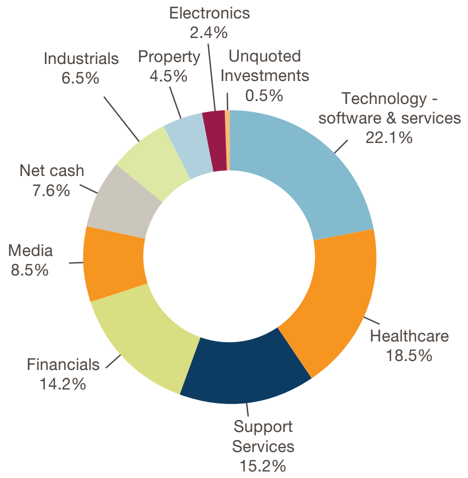
Portfolio as at 30 June 2018 – Top 10 Largest Investments

Company	Sector Classification	Date of first Investment	Cost £'000	Valuation £'000	% of invested portfolio at 30 June 2018	% of invested portfolio at 30 June 2017	% of net assets
Tribal Group	Software & Computer Services	Dec 2014	13,661	15,231	9.5%	9.2%	8.7%
Wilmington Group	Media	Oct 2010	12,375	14,807	9.2%	6.7%	8.5%
Equiniti	Support Services	Mar 2016	10,489	14,327	8.9%	12.4%	8.2%
IFG Group	Financials	Apr 2015	14,436	13,489	8.4%	8.2%	7.7%
Clinigen Group	Healthcare	Jul 2014	7,180	12,549	7.8%	8.1%	7.2%
4imprint Group	Support Services	Feb 2006	4,184	12,084	7.5%	5.9%	6.9%
EMIS Group	Software & Computer Services	Mar 2014	10,619	12,019	7.5%	7.2%	6.9%
Tyman	Industrials	Apr 2007	7,519	11,375	7.1%	6.1%	6.5%
Medica Group	Healthcare	Mar 2017	9,644	8,877	5.5%	7.0%	5.1%
Harworth Group	Property	Jul 2016	5,230	7,903	4.9%	3.3%	4.5%

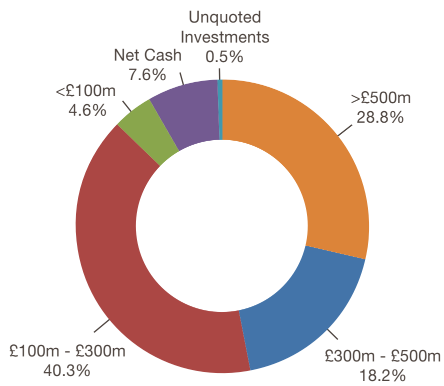
Investment Manager's Report *(continued)*

NAV as at 30 June 2018

Sector split by industry



Size split by market capitalisation



Portfolio Characteristics

Consensus weighted average portfolio characteristics	Strategic Equity Capital	FTSE Small Cap ex Investment Trusts
Price/Earnings ratio (FY1)	15.5x	11.2x
Dividend yield	2.3%	3.3%
Price/Book ratio	2.4x	1.6x
Price/Sales ratio	2.1x	0.7x
Price/Cashflow ratio	19.2x	13.7x
GVQIM Cashflow yield*	9.7%	n/a
Forecast earnings growth (FY1)	16.1%	7.7%
Forecast net debt to EBITDA	0.0x	1.8x

Source: Factset Portfolio Analysis System, Bloomberg, FTSE Russell.

* GVQIM cashflow yield: (12 month forward Cash EBITDA minus maintenance capex)/(market capitalisation plus 12 month forward net debt).

Consistent with previous periods, the portfolio's aggregate valuation (in terms of the P/E ratio) is higher than the constituents of the broader FTSE Small Cap Index. We have no exposure to traditionally lower rated sectors such as construction, retailers or resource companies. However, the portfolio companies enjoy less geared balance sheets and are forecast to grow earnings faster.

Unquoted Investments

Over the period, the Company received a capital distribution of £0.6m from Vintage I. The outstanding commitment relating to Vintage I is €1,560,000 and its adviser has communicated that it does not expect to make any further net draw downs.

Outlook

In the corresponding section of last year's report, we emphasised the high conviction nature of Strategic Equity Capital's portfolio. We have found it to be the case historically that maintaining this discipline in the face of uncertainty and potential misgivings is a suitable approach.

This is relevant today and we noted an insightful quote from a North American fund manager recently; 'Stock prices fluctuate as underlying fundamentals change or are perceived to change. Since business operations don't fluctuate nearly as much as shares or as perceptions, prices often change not because reality has changed, but because our perception of reality has changed'[1]. With both reducing information and related fundamental analysis of smaller companies, actions can be driven more by perception or indeed the recent direction of the share price.

With all our investments, there is a well defined thesis of how we believe our target returns will be derived over a period of time and this forms the core of how we assess the performance of those companies. Looking out today, we believe that the valuation of the portfolio, at its lowest aggregate level in two years, is very appealing.

At a macro level, we are cautious. Despite an improving global growth picture, one could argue this has been largely reflected in asset prices. Alongside this, the confluence of monetary tightening and elevated debt levels is likely to present a challenge. Although now taken in their stride, it is hard to downplay geopolitical issues ranging from international trade wars, factional politics and potential global conflicts. All of these are set against a backdrop of long-term trends in globalisation, demographics and technology which are creating winners and losers and a sense of inequality and disenfranchisement.

Whilst acutely mindful, our focus continues to be on long-term secular growth areas and enduring business models. At a portfolio level, we feel well positioned. Portfolio company balance sheets are, in aggregate, as strong as they have been in a long time. Over half of the portfolio by NAV are forecast to be in net cash positions within the next twelve months. This provides both financial security in times of stress and optionality to enhance returns through accretive M&A (as has been the case with Equiniti, Alliance Pharma and Clinigen) or through supplementary shareholder returns (such as 4imprint's special dividend). We expect this to be an ongoing feature and to attract recognition through improvement in the ratings ascribed to cash generative, financially sound companies.

Furthermore, given the 'dual-track' nature of the market where those that deliver become more expensive in the 'fast-lane' and those that have a wobble become quickly de-rated and unloved, a bifurcation of valuations is created. Clearly, there are situations where stocks are 'cheap for good reason', but often nervousness and worry trumps what can be transient issues, or information gaps which create opportunity.

As it stands, a high number of portfolio companies are trading at multi-year valuation lows. It is our view that for the long-term investor, this is a great opportunity. We will use capital provided through take-outs or where an investment re-rates ahead of our view on fair value to reinvest into situations where companies trade at a discount to intrinsic value. We believe this is a judicious strategy.

Ian Bowles

We were shocked and saddened by the very sudden passing of Ian Bowles, Chief Executive of Tribal Group on 29th August 2018.

Ian was very well known to us and played a key role in delivering value to our shareholders through both his time at Allocate Software and Tribal. Ian's warm disposition meant he was admired and liked by all who knew him. He was a good man and fine professional who achieved a lot in his career and would no doubt have achieved a great deal more.

The thoughts of current and former employees of GVQ are with Ian's family and colleagues.

Jeff Harris/Adam Khanbhai
GVQ Investment Management Limited
28 September 2018

[1] Broyhill Asset Management

Top 10 Investee Company Review (as at 30 June 2018)

4imprint Group is a leading direct marketer of promotional products in North America and the UK. It processes over one million customised orders. We have been involved with the company since a change of management in 2003. Following the disposal of Brand Addition, virtually all of the profits of the group are generated by the fast growing US business. The company has a significant net cash balance. Funds managed by the Investment Manager currently hold approximately 4% of the company's equity.

Clinigen Group is a speciality pharmaceutical and services company. It has three business units – Clinical Trial Services, Unlicensed Medicines and Commercial Medicines. Activities undertaken by these businesses include: acquiring, licencing and revitalising hospital-only critical care medicines; and providing patient access to its own or other pharmaceutical companies' products, whether to meet unmet medical needs or for use in clinical trials. The company has grown rapidly since its IPO in 2012, both organically and through targeted acquisitions. In April 2015 it acquired Idis, a peer, for £225m through a mixture of debt and equity and in September 2015, acquired Link Healthcare, a specialist pharmaceutical and medical business focused on the Asia, Africa and Australasia region. In September 2017, Clinigen acquired Quantum Pharma. We believe the cash flow characteristics are underappreciated which should see the company de-gear rapidly over the next two years. The company has a leading position in a multi-year growth market. Funds managed by the Investment Manager hold c. 3% of the company's equity.

EMIS Group is a specialist healthcare software and services provider. It is the UK market leader in the provision of electronic patient records for GPs, with a 55% market share, and over 80% of total revenues are recurring. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. With solutions across every major healthcare setting, we believe EMIS is uniquely positioned to benefit from the NHS's connected care strategy. The company is continuing to develop Patient, an online platform with 18 million unique monthly users to provide high quality healthcare information and solutions. EMIS is highly cash generative with a strong balance sheet providing future opportunity. Funds managed by the Investment Manager currently hold c.4% of the company's equity.

Equiniti is a business services company providing administration, processing payments services and technology products typically to FTSE 350 companies. It is one of the three main share registrars for UK quoted companies. It administers company benefits schemes and share savings schemes. It also provides software and services to help manage the administration of company and public sector pension funds. We believe the business has a strong combination of stable, long-term repeatable non-discretionary corporate services alongside offering technology based solutions to growing regulatory requirements. The business was founded with the buyout of Lloyds TSB Share Registrars by private equity house Advent International in 2007. Following the buyout the company added to its product and service capability through a number of targeted acquisitions. The company IPO'd in October 2015. Whilst it was well invested under private equity ownership, there are significant medium to long-term opportunities through rationalising its UK office footprint as well as offshoring more activities to its base in India. Together with moderate organic growth we believe that the company has the potential to deliver high single digit/low double digit earnings growth, which should not be significantly impacted by the broad market cycle. Despite its quality, the company trades at a moderate rating. The acquisition of Wells Fargo's Share Services business in North America is a positive development in our view and provides entry to the world's largest capital market and significant long-term opportunities for the business. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

Harworth Group is a leading regenerator of land and property for development and investment which owns, develops and manages a portfolio of sites located across the Midlands and North of England. Spun out of UK Coal, the company specialises in the regeneration of former coalfield sites and other former industrial land into new residential developments and employment areas. The company is lowly geared, asset rich and a discount to a conservative view of NAV and has demonstrated the ability to grow this at a minimum of 10% per annum through the cycle largely through internal actions including successful planning applications, remediation of land and asset disposals. The company is scheduled to obtain a Premium Listing in the second half of 2018. Funds managed by the Investment Manager currently hold c.2% of the company's equity.

IFG Group is a financial services holding company with two operating assets. London-based Saunderson House is a wealth manager with over £5bn of assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans ("SIPPs") with over £25bn of assets on platform. We believe that both of these businesses offer long-term structural sales growth, as well as scope to make higher margins. The shares are dual-listed in Dublin and London, with the primary listing in Dublin. Comparative M&A multiples and listed peers in both the platform and wealth management sectors suggest that IFG shares trade at a considerable discount to its Sum-of-Parts valuation. Funds managed by the Investment Manager currently hold just below 10% of the company's equity.

Medica Group is the leading provider of teleradiology services in the UK. The company provides outsourced interpretation and reporting of MRI, CT and plain film X-ray images. This is delivered through three primary services to UK hospital radiology departments: Nighthawk out-of-hours service; Routine cross-sectional reporting on MRI and CT scans; and Routine plain film reporting on x-ray images. Teleradiology as a service aims to improve patient care through faster response and overcoming the challenge hospitals face in the increasing volume in scanning activity. Medica was previously owned by Close Brothers Private Equity following a 2013 buyout. The company was IPO'd in March 2017 on the London Stock Exchange and admitted to the FTSE Small Cap Index in June 2017. Funds managed by the Investment Manager currently hold just below 10% of the company's equity.

Tribal Group is a global provider of products and services to the international education, training and learning markets. Today, the company focuses its activities on student records and administration systems and quality review inspection services. It has a high market share in a number of product niches and geographies. We believe that the company has the potential to grow through increasing its international sales, as well as updating and upselling to its existing UK customer base. Since November 2015 the company's board has been substantially refreshed, a non-core subsidiary sold and equity raised to strengthen the balance sheet. The company is executing well on a three year strategy to reduce its overhead and develop its next generation software platform. Funds managed by the Investment Manager currently hold just below 10% of the company's equity.

Tyman is a leading international supplier of engineered components to the door and window industry in the new build and repair and maintenance (RMI) markets. We originally invested in the company following the fall in residential activity around the financial crisis in 2009. Under the current management team, the company has, through organic and inorganic investment, increased its market leadership, strengthened the product proposition and delivered significant cost and sales synergies. We believe future upside exists in the company's ability to replicate its North American manufacturing template to its operations in Europe and the Rest of the World to achieve material efficiencies, and in the recovery of U.S. single family housing activity to long-term historical levels. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

Wilmington Group provides business information and training services to professional business customers in the financial services, medical and white-collar professional service sectors. More than 80% of revenues in the main publishing and information divisions are delivered digitally, typically on a subscription basis, and with high levels of client retention. The company is highly cash generative. Growth has been held back in recent years and we believe the presence of a new Chairman will improve the company's execution and management of the portfolio to drive shareholder value. Funds managed by the Investment Manager currently hold 8% of the company's equity.

GVQ Investment Management Limited
28 September 2018

The unconstrained, long-term philosophy and concentrated portfolios resulting from the Investment Manager's investment style can lead to periods of significant short-term variances of performance relative to comparative indices. The Investment Manager believes that evaluating performance over rolling periods of no less than three years, as well as assessing risk taken to generate these returns, is most appropriate given the investment style and horizon. The Investment Manager believes that this investment style, properly executed, can generate attractive long-term risk adjusted returns.

All statements of opinion and/or belief contained in this Investment Manager's report and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of the Company represent the Investment Manager's own assessment and interpretation of information available to it at the date of this report. As a result of various risks and uncertainties, actual events or results may differ materially from such statements, views, projections or forecasts. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Company will be achieved.

Other Information

Business and Status of the Company

The principal activity of the Company is to conduct business as an investment trust. The Company is currently an investment company in accordance with the provisions of Section 833 of the Companies Act 2006. The Directors do not envisage any change in the Company's activity in the future.

The Company has been incorporated with an indefinite life but is subject to an annual continuation vote. The Company is registered in England and Wales with number 05448627.

The Company has received written approval from HM Revenue and Customs as an authorised investment trust under Section 1158 of the Corporation Tax 2010 ("CTA") and the ongoing requirements for approved companies in Chapter 3 Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999). The Company will continue to be treated as an investment trust company, subject to there being no serious breaches of the conditions for approval. The Company's status as an investment trust means that the Company does not pay capital gains tax on any profits arising from the disposal of its investments.

Investment Objective

The investment objective of the Company is to achieve absolute returns (i.e. growth in the value of investments) rather than relative returns (i.e. attempting to outperform selected indices) over a medium-term period, principally through capital growth.

Investment Policy

The Company invests primarily in equity and equity-linked securities quoted on markets operated by the London Stock Exchange where the Investment Manager believes the securities are undervalued and could benefit from strategic, operational or management initiatives. The Company also has the flexibility to invest up to 20% of the Company's gross assets at the time of investment in securities quoted on other recognised exchanges.

The Company may invest up to 20% of its gross assets at the time of investment in unquoted securities, provided that, for the purpose of calculating this limit, any undrawn commitments which may still be called shall be deemed to be an unquoted security.

The maximum investment in any single investee company will be no more than 15% of the Company's investments at the time of investment.

The Company will not invest more than 10%, in aggregate, of the value of its total assets at the time the investment is made in other listed closed-end investment funds.

Other than as set out above, there are no specific restrictions on concentration and diversification. The Board does expect the portfolio to be relatively concentrated, with the majority of the value of investments typically in the securities of 10 to 15 issuers across a range of industries. There is also no specific restriction on the market capitalisation of securities into which the Company will invest, although it is expected that the majority of the investments by value will be invested in companies too small to be considered for inclusion in the FTSE 250 Index.

The Company's Articles of Association permit the Board to take on borrowings of up to 25% of the NAV at the time the borrowings are incurred for investment purposes.

Performance and Dividend

Over the year to 30 June 2018, net assets have fallen by £2.1 million representing a decrease of 1.2% (1.6% increase on a per share basis owing to the impact of the company's share buy backs). Further information on the performance of the Company's portfolio is contained in the Investment Manager's Report on pages 5 to 13.

The Company's investment objective is one of capital growth and it is anticipated that returns for Shareholders will derive primarily from capital gains. The Board is governed by the rules for investment trusts that require that the Company must not retain more than 15% of its income from any one year. As the portfolio has generated more income than in previous years the Board recommends a final dividend of 1.00p (2017: 0.78p) per Ordinary share, amounting to £661,000 (2017: £533,000) based on the Ordinary share capital at the date of this report. The Company's dividend policy remains unchanged, and it may be that next year, the dividend will be lower.

Performance Analysis Using KPIs

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Investment Manager, the Directors take into account the following key performance indicators:

NAV per Ordinary share

The NAV per Ordinary share, including revenue reserves, as at 30 June 2018 was 260.16p (30 June 2017: 256.00p).

Movement in the Company's share price

In the year to 30 June 2018, the Company's share price fell by 1.6% from 223.50p to 220.00p. The share price total return, taking account of the 0.78p dividend paid in the year, was minus 1.2%.

Discount of the share price in relation to the NAV

Over the year, the discount of the Ordinary share price in relation to the NAV ranged from 11.1% to 16.7%. As at 30 June 2018, the Company's shares traded at a discount of 15.4% (30 June 2017: discount of 12.7%).

Ongoing charges

The ongoing charges ratio was 1.14% in the year to 30 June 2018 (30 June 2017: 1.25%).

Investment Manager

The Investment Manager appointed by the Company is GVQ Investment Management Limited ("GVQIM"). Established in 2002, the public equity team of GVQIM, formerly of SVGIM, was one of the first in the UK to invest in publicly traded equities using private equity techniques. The team consists of a number of investment professionals who combine a number of complementary skill sets, including corporate finance, traditional fund management, research and private equity disciplines. In addition, GVQIM makes use of a panel of industrial advisers and other external due diligence providers. GVQIM currently has funds under management of approximately £650m.

Investment Management Agreement

The Company's investments are managed by GVQIM under an agreement dated 19 February 2015. The Investment Manager's appointment is subject to termination on 6 months' notice given at any time by either party.

There are no specific provisions contained within the Investment Management Agreement relating to compensation payable in the event of termination of the agreement other than entitlement to fees, including performance fees, which would be payable within any notice period. However, in the event that a continuation resolution proposed at any Annual General Meeting is not passed, the Investment Management Agreement expressly permits the Company to give notice terminating the Investment Manager's appointment without any compensation being payable to the Investment Manager in lieu of any period of notice otherwise required under the Investment Management Agreement.

The Board keeps the performance of the Investment Manager under continual review, and the Management Engagement Committee, comprising all Directors, conducts an annual appraisal of the Investment Manager's performance, and makes a recommendation to the Board about the continuing appointment of the Investment Manager. During the year, the Board reviewed the continuing appointment of the Investment Manager and agreed that the Investment Manager has executed the investment strategy according to the Board's expectations. Therefore, it is the opinion of the Directors that the continuing appointment of GVQIM is in the interests of shareholders as a whole.

Investment Manager's Fees

The Investment Manager is entitled to receive from the Company a basic fee together with, where applicable, a performance fee.

During the year the Board negotiated the following changes to the management fee arrangements with GVQIM, effective from 1 January 2018:

- The basic management fee (the "Management Fee") has been amended from the lower of (i) 1% of the Company's NAV or (ii) 1% of the Company's market capitalisation, to 0.75% of the Company's NAV.
- The performance fee ("Performance Fee") has been reduced from 15% to 10%, measured over rolling three year periods ending on 30 June each year by comparing the NAV total return per share over a performance period against the total return performance of the FTSE Small Cap (ex Investment Companies) Index.

Other Information *(continued)*

- The cap of 1.75% of NAV which used to apply to the Performance Fee has been abolished and has been replaced by a cap on the total fees payable to GVQIM. The aggregate amount of the Management Fee and the Performance Fee in respect of any financial year shall now not exceed 1.4% of the NAV of the Company at the relevant financial year end (the "Revised Cap") (provided always that in calculating such NAV, no account shall be taken of any accrued performance fee earned in that period as a liability of the Company).
- There is now no provision for any Performance Fee in excess of the Revised Cap to be 'carried forward'.

The revised Management Fee and Performance Fee arrangements are set out below.

Management Fee

A basic management fee is payable to the Investment Manager at the annual rate of 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears.

Performance Fee Arrangements

The Company's performance is measured over rolling three-year periods ending on 30 June each year, by comparing the NAV total return per share over a performance period against the total return performance of the FTSE Small Cap (ex Investment Companies) Index. A performance fee is payable if the NAV total return per share (calculated before any accrual for any performance fee to be paid in respect of the relevant performance period) at the end of the relevant performance period exceeds both:

(i) the NAV per share at the beginning of the relevant performance period as adjusted by the aggregate amount of (a) the total return on the FTSE Small Cap (ex Investment Companies) Index (expressed as a percentage) and (b) 2.0% per annum over the relevant performance period ("Benchmark NAV"); and

(ii) the high watermark (which is the highest NAV per share by reference to which a performance fee was previously paid).

The Investment Manager is entitled to 10% of any excess of the NAV total return over the higher of the Benchmark NAV per share and the high watermark. The aggregate amount of the Management Fee and the Performance Fee in respect of each financial year of the Company shall not exceed an amount equal to 1.4% per annum of the NAV of the Company as at the end of the relevant financial period.

No performance fee has been accrued in respect of the year ended 30 June 2018 (30 June 2017: £1,856,000).

Administration Agreement

Under an agreement dated 2 June 2017, Company Secretarial and Administration of the Company are undertaken by PATAC Limited. The fee charged in the year was £113,000 (2017: £120,000). The annual fee is £110,000 per annum and is subject to annual review based on the UK Retail Price Index. An additional fee of £10,000 was awarded in the prior year for additional work performed.

Principal Risks and Uncertainties Associated with the Company

The Board believes that the overriding risks to shareholders are events and developments which can affect the general level of share prices, including, for instance, inflation or deflation, economic recessions and movements in interest rates and currencies which are outside of the control of the Board.

The principal ongoing risks and uncertainties currently faced by the Company, which may vary in significance from time to time, are outlined below, together with the controls and actions taken to mitigate those risks.

Principal Risk	Mitigation	Action taken in the year
Investment Performance The unconstrained long-term philosophy and concentrated portfolios resulting from the investment strategy can lead to periods of significant short-term variation in performance. The underlying investments are in companies which, due to their smaller size, may have limited product lines, limited financial resources with dependence on a few key individuals and less liquid shares. These risks are more significant than in larger companies.	The Board maintains a close review of how the Investment Manager invests to implement the investment strategy and regularly reviews adherence to the investment policy. The Board maintains a longer-term perspective in relation to monitoring performance of the Investment Manager in achieving the investment objective. The Board relies on the Investment Manager to engage actively with the investee companies in order to support long-term value enhancement and the actions taken are reviewed regularly by the Board.	The Board, through its review process, did not identify any specific new action required either with the portfolio as a whole or with any one specific investment to mitigate performance risk over and above that already taken by the Investment Manager.
Operational Risk The Company appoints and relies on a number of third parties, including the Investment Manager, to provide it with the necessary services, such as registrar, depository, custodian, administrator, company secretary, lawyers, external auditors and brokers.	The Board has a detailed risk matrix which is reviewed by the Audit Committee and the Board twice yearly and is used as a tool to consider the principal risks of the Company and the controls that are in place in relation to those risks where appropriate. Key appointments of third party service providers are taken after a formal process ensuring the required skills and experience are satisfied. An annual review of service providers is carried out by the Management Engagement Committee. Internal control reports on the systems and processes of the Company's service providers are reviewed at least annually and as appropriate and any findings discussed where appropriate.	Supervision of third party service providers has been maintained in the year. The Board, through its review process, closely monitored the change in Custodian and Depository from Northern Trust to JPMorgan. The Board through its review process did not identify any other specific new actions.

Other Information *(continued)*

Principal Risk	Mitigation	Action taken in the year
Regulatory Compliance and Legislation The Company is a UK incorporated company with a premium listing on the London Stock Exchange, is an authorised investment trust and has appointed GVQIM as Alternative Investment Fund Manager ("AIFM") and Cannaccord Genuity as Broker.	The Board is comprised of individuals whose background qualifications and experience ensure that the increasing volume and complexity of relevant regulatory and legislative requirements are understood. Where appropriate, advice and training are sought from service providers. Board selection and performance review processes support this approach.	No changes were made to the Board during the year.
Discount/Premium A significant share price discount or premium to the Company's NAV per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence.	The Board has established share issuance and share buy-back processes to assist in the moderation of share price premium and discount to NAV. Shareholders are kept informed of developments as far as practicable and are encouraged to attend briefings, such as the Company's Annual General Meeting, to understand the implementation of the investment strategy to achieve the Company's objectives.	During the year under review, the Company's shares traded at a discount to NAV of between 11.1% and 16.7%. The Directors authorised the buy-back of 1,892,812 shares to be held in Treasury during the year.
Economic, Political and External Factors The Company invests predominantly in UK shares and therefore performance may be impacted by economic, political and other factors which affect either the operation of the markets that portfolio companies trade in, the UK stock market or currency movements. In particular small changes can have a larger impact on small companies.	The exposure to these external factors is considered largely outside of the Company's control so regular monitoring is carried out with regards to the likely effects should any potential mitigation be possible. Limits are set for investment in overseas based investments. Hedging of currency is not chosen as a mitigator due to the relative cost benefit not being compelling.	The UK's exit from the European Union remains an area of focus as to potential impact on performance. The Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility.
Investment Manager The loss of key individuals at the Investment Manager could have, or be perceived to have, a material effect on the Company's performance.	In order to reduce this risk the Investment Manager operates a team based approach to fund management. The team consists of a number of investment professionals who combine a number of complementary skill sets, including corporate finance, traditional fund management, research and private equity disciplines. The team is also supported by the Industry Advisory Panel of the Investment Manager.	The Board keeps the performance of the key personnel at the Investment Manager under frequent review.

Viability Statement

The Board has assessed the prospects of the Company over the three years to 30 June 2021. This assessment period has been chosen as the Board believes it represents an appropriate period given the long-term investment objectives of the Company, the low working capital and the simplicity of the business model.

In making this three year assessment, the Board has taken the following factors into account:

- The nature of the Company's portfolio
- The Company's investment strategy
- The potential impact of the Principal Risks and Uncertainties
- Annual continuation vote
- Share buy-backs
- The liquidity of the Company's portfolio
- Market falls and gains
- The level of existing and potential long-term liabilities

The Company's portfolio currently includes a large position in cash or liquid money market funds. Over the last five years, cash and liquid money market funds have averaged c.10.4% of the NAV. Cash balances can be varied due to changes in market conditions, but positive cash levels are expected to be maintained over the period.

The Company has not been geared for many years and the current policy of the Board is not to have a gearing facility.

The Directors have also carried out a robust assessment of the principal risks, as noted on pages 17 and 18, that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity.

Based on this assessment, the Directors are confident that the Company's investment approach, portfolio management and balance sheet approach will ensure that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 June 2021.

Going Concern

A continuation vote is proposed at each Annual General Meeting of the Company. In the event that any such resolution is not passed, 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 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 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 investment objective, detailed on page 14, risk management policies, detailed on pages 17 and 18, 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 the foreseeable future. In addition, the Board has had regard to the Company's investment performance (see page 1), the price at which the Company's shares trade relative to their NAV (see page 1) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders by the Company's advisers).

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

Resolution 11 at this year's Annual General Meeting 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 11 as each Director intends to do in respect of her or his own beneficial shareholdings.

Other Information *(continued)*

Environmental, Social and Governance Issues

As an investment trust, the Company has no employees, property or activities other than investment. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission-producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The Board is comprised entirely of non-executive Directors and the day-to-day management of the Company's business is delegated to the Investment Manager (details of the Investment Management Agreement are set out on pages 15 and 16). Therefore the Directors do not consider it necessary for the Company to have environmental, human rights or community policies in place.

However, in carrying out its activities and in its relationships with service providers, the Company aims to conduct itself responsibly, ethically and fairly. The Investment Manager aims to be a responsible investor and believes it is important to invest in companies that act responsibly in respect of environmental, ethical and social issues. The Investment Manager's responsible investment policies and beliefs can be found on the Company's website. The Investment Manager is a signatory of the UK Stewardship Code and aims to comply with the majority of its recommendations.

The Investment Manager has considerable experience in corporate engagement. Its corporate engagement principles and engagement policy can be found on the Company's website.

Modern Slavery

The Company is not within the scope of the Modern Slavery Act 2015 because it has insufficient turnover and is therefore not obliged to make a human trafficking statement.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Diversity

The Board of Directors comprises four male Directors and one female Director and their biographical details are set out on page 2.

The Board's policy on diversity, including gender, is to consider this during the recruitment process. The Board is committed to appointing the most appropriate candidate who is the best fit for the Company regardless of gender or other forms of diversity.

On behalf of the Board

Richard Hills
Chairman
28 September 2018

Report of the Directors

Directors

The Directors in office at the date of this report and their biographical details are shown on page 2.

Corporate governance

The Company's corporate governance statement is set out on pages 24 to 30 and forms part of the Report of the Directors.

Share Capital

The Company's issued share capital consists of 66,990,660 Ordinary shares as at 30 June 2018, each with a nominal value of 10 pence. All shares have equal voting rights. The maximum number of Ordinary shares in issue during the year was 68,883,472.

During the year the Company purchased 1,892,812 Ordinary shares to be held in Treasury at a total cost of £4,293,000, representing 2.8% of the Ordinary shares in issue at the year end.

As at 30 June 2018 there were 2,868,231 Ordinary shares held in Treasury.

Substantial shareholdings

The Company has been informed of the following notifiable interests in the voting rights of the Company as at 30 June 2018:

	Number of shares held	% of total voting rights
RIT Capital Partners	9,818,227	14.7%
1607 Capital Partners	7,005,798	10.5%
Brewin Dolphin	3,384,716	5.1%
Arbuthnot Fund Managers	3,314,774	4.9%
Ian Armitage	3,404,000	5.1%
Schroders plc	3,111,987	4.6%
Sir Clive Thompson	2,679,102	4.0%
Jonathan Morgan	2,150,000	3.2%

Subsequent to the year end, the Company was notified of the following changes to the above holdings:

On 2 July 2018, the Company was notified that 1607 Capital Partners held 7,531,798 shares, representing 11.2% of voting rights, and on 24 August 2018 notified that this holding had increased to 8,171,132 shares, representing 12.2% of voting rights.

Information About Securities Carrying Voting Rights

The following information is disclosed in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the FCA's Disclosure Guidance and Transparency Rules:

- The Company's capital structure and voting rights are summarised above.
- Details of the substantial Shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 26.
- Details of the powers of the Directors to issue or buy-back the Company's shares are disclosed above and on page 22.
- 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 successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Auditor

KPMG LLP have confirmed their willingness to continue in office as Auditor and a resolution proposing their appointment will be submitted at the forthcoming Annual General Meeting.

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant information of which the Auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant information and to establish that the Auditor is aware of that information.

Financial Risk Management

Information about the Company's financial risk management objectives and policies is set out in note 17 of the financial statements on pages 55 to 58.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that no disclosures are required in relation to Listing Rule 9.8.4.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 7 November 2018, is set out on pages 61 to 64. Full details of all resolutions can be found in the Notice. The resolutions to be proposed as items of special business are set out below.

To continue the Company (Resolution 11)

The Board previously committed to providing Shareholders with an opportunity to vote annually on an ordinary resolution to continue the Company as an investment trust. The purpose of Resolution 11 is to satisfy that commitment.

To authorise the allotment of shares (Resolution 12)

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without Shareholder approval. The purpose of Resolution 12, which is proposed as an ordinary resolution, is to empower the Directors to allot shares with an aggregate nominal value of up to £661,357, being approximately 10% of the Company's issued Ordinary share capital as at the latest practicable date prior to the publication of this document. The authority granted to the Directors if this Resolution 12 is passed would last until the earlier of the Annual General Meeting in 2019 or 7 February 2020.

To disapply Section 570 of the Companies Act 2006 (Resolution 13)

Under Section 570 of the Companies Act 2006, if the Directors wish to allot any equity securities, or sell any treasury shares (should they elect to hold any), for cash, they must first offer them to existing Shareholders in proportion to their shareholdings. The purpose of Resolution 13, which is proposed as a special resolution, is to allow the Directors to allot shares, or sell any treasury shares, for cash other than in accordance with Section 570 up to a maximum aggregate nominal amount of £661,357, representing approximately 10% of the Company's issued Ordinary share capital of 66,135,710 10p shares as at 27 September 2018 (being the latest practicable date prior to publication of this document).

Shares issued pursuant to this authority will be issued at a price of not less than the prevailing NAV per share, including current period revenue.

This authority will last until the earlier of the Annual General Meeting in 2019 or 7 February 2020.

To authorise the Company to purchase its own Ordinary shares (Resolution 14)

The purpose of Resolution 14, which is proposed as a special resolution, is to renew the authority of the Company to purchase its own shares. As stated in the prospectus issued by the Company in connection with its listing on the London Stock Exchange in July 2005, the Company may purchase shares in the market in order to address any imbalance between the supply of and demand for shares and to increase the net asset value per share. The Company will make such purchases pursuant to this authority only where the Directors believe that to do so will result in an increase in the NAV per share for remaining Shareholders and is in the best interests of Shareholders generally.

The authority is limited to 9,913,742 Ordinary shares, representing approximately 14.99% of the Company's shares in issue as at 27 September 2018 (being the latest practicable date prior to publication of this document).

The Company will only purchase Ordinary shares at prices which are below the last published NAV per Ordinary share. The maximum price (exclusive of expenses) payable per Ordinary share under this authority is the higher of (a) 5% over the average of the middle market prices of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company buys the shares and (b) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. The minimum price payable per Ordinary share under this authority is the nominal value of that Ordinary share. Any purchases of Ordinary shares made pursuant to this authority will be market purchases.

Any such purchases will be made during the period commencing at the close of the Annual General Meeting and ending on the earlier of the date of the Company's Annual General Meeting in 2019 or 7 May 2020.

At the Annual General Meeting held on 8 November 2017 the Company was authorised to purchase approximately 14.99% of its own shares for cancellation or to be held in treasury. The number of Ordinary shares remaining under that authority as at 27 September 2018 (being the latest practicable date prior to publication of this document) was 8,440,693 Ordinary shares.

The Company may purchase its own shares either for holding in treasury, or for subsequent cancellation. Shares held in treasury will have no voting, dividend or other rights. The Directors consider that the purchase of shares into treasury could be beneficial to Shareholders in the long-term, in that, subject to the authority granted by Resolution 13, they may be re-sold at NAV or above to further the investment objectives of the Company.

Since 30 June 2018 the Company has purchased 854,950 Ordinary shares to be held in treasury. As at 27 September 2018 (being the latest practicable date prior to publication of this document), the Company held 3,723,181 Ordinary shares in treasury.

Directors' Recommendation

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that Shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

On behalf of the Board

Richard Hills
Chairman
28 September 2018

Statement on Corporate Governance

This Corporate Governance Statement forms part of the Directors' Report.

Statement of Compliance with the AIC Code of Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's Shareholders for good corporate governance. This Statement describes how the principles of corporate governance are applied to the Company.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in July 2016, both of which can be found on the AIC website at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK 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 UK Code), will provide better information to Shareholders than if it had adopted the UK Code. A copy of the UK Code can be found at www.frc.org.uk.

The Company has complied throughout the year, and continues to comply, with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

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

The Company has complied with the recommendations of the AIC Code except the following:

- A full portfolio listing is not provided as in the opinion of the Directors it is not in the best commercial interests of the Company.
- Given the size and nature of the Board it is not deemed appropriate to appoint a senior independent director.
- Owing to the size and nature of the Company the Board does not believe it is necessary to have a separate Nomination Committee or Remuneration Committee.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of Shareholders.

Board of Directors

Under the leadership of the Chairman, the Board is responsible for all matters of control and direction of the Company, including its investment policy.

As at the date of this Report, the Board consists of five non-executive Directors. Biographical details of the Directors in office at the year end can be found on page 2.

The terms and conditions of the appointment of the non-executive Directors are formalised in letters of appointment, copies of which are available for inspection from the registered office of the Company and will be available at the Annual General Meeting.

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties and the Company has Directors' and Officers' Liability Insurance to cover legal defence costs. Under the Company's Articles of Association, the Directors are provided, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Apart from this, there are no third party indemnity provisions in place.

Board Operation

At the Board meetings, the Directors follow a formal agenda to review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs.

The Board is responsible for adherence to the investment policy and strategic and operational decisions of the Company. The Company's main functions are delegated to a number of service providers, each engaged under separate legal contracts. The management of the Company's portfolio is delegated to the Investment Manager, which has discretion to manage the assets in accordance with the Company's objectives and policies. A representative of the Investment Manager attends each Board meeting to present written and verbal reports on its activities and portfolio performance. At each Board meeting, the Directors review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. The Board has adopted a formal schedule of matters specifically reserved for approval. These reserved matters include the following:

- Investment and business strategy of the Company.
- Annual and half-yearly reports and accounts and accounting policies, prospectuses, circulars and other shareholder communications.
- Acquisitions and disposals of interests of more than 29.9% in the voting shares of any investee company.
- Dividend policy.
- Board appointments and removals.
- Appointment and removal of the Company's service providers including the Investment Manager/AIFM, Depository and Auditor.

Members of the Board also meet with representatives of the Investment Manager on an informal and regular basis.

Meetings

The Directors meet at regular Board meetings, at least once every quarter, with additional meetings arranged as necessary. The number of scheduled Board, Audit and Management Engagement Committee meetings held during the year ended 30 June 2018 and the attendance of the individual Directors is shown below:

	Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Richard Hills	4	4	2	2	1	1
Sir Clive Thompson	4	4	–	–	–	–
William Barlow	4	4	2	2	1	1
Josephine Dixon	4	3	2	1	1	1
Richard Locke	4	4	2	2	1	1

In addition to the scheduled meetings, two Committee meetings were held during the year to consider the approval of the Company's Annual and Interim Reports.

Board Balance and Independence

All of the Directors of the Company are non-executive and, with the exception of Sir Clive Thompson, are independent of the Investment Manager. Sir Clive Thompson is deemed non-independent by virtue of his position on the Industry Advisory Panel ("IAP") of the Investment Manager.

The Directors possess a wide range of financial, business and legal expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs.

Chairman

The Chairman, Mr Hills, is deemed by his fellow independent Board members to be independent and to have no conflicting relationships. He considers himself to have sufficient time to commit to the Company's affairs.

Re-election and Retirement of Directors

A Director shall retire and be subject to election at the first Annual General Meeting after his or her appointment. Thereafter, the Directors offer themselves for annual re-election in conformity with good corporate governance.

The Board's policy on tenure is that the maximum period that any Director shall serve as a director of the Company shall be limited and no Director shall be eligible to serve beyond the twelfth Annual General Meeting following his or her appointment. In the event that a Director is appointed at an Annual General Meeting, for these purposes that Annual General Meeting will not count towards the twelve.

Directors' Induction, Training and Development

Upon appointment to the Board, a new Director is provided with a detailed induction pack containing relevant information about the Company and their duties and responsibilities as a Director.

Directors' training and development needs are reviewed by the Board on an annual basis as part of the performance evaluation process. The Board is committed to keeping up to date on matters which are directly relevant to their duties and responsibilities to the Company. The Directors receive regular briefings and updates from the Company's Investment Manager and other advisers on regulatory matters that may affect the Company.

Performance Evaluation

The Board's decision to recommend the re-election of each of the Directors is informed by a formal assessment of each Director's independence and contribution, and the balance of skills, experience, length of service and knowledge of the Company across the Board as a whole. This assessment is made annually as part of the Board's appraisal of its collective performance and that of the Chairman, the Directors and the Committees, and the independent status of each individual Director and the Board as a whole. The evaluation of the Chairman is led by the Deputy Chairman.

In 2018, the evaluation of the Board was carried out by way of a questionnaire. Having considered and discussed the points raised by the Directors in response to the questionnaire, the Board has concluded that it has an appropriate balance of skills, experience and length of service and that each Director demonstrates effectiveness, a high level of commitment to the Company, and considerable experience, expertise and knowledge. In addition, the Board believes that, with the exception of Sir Clive Thompson (who is considered to be non-independent by virtue of his membership of the Investment Manager's IAP), each Director is independent of judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

Accordingly, the Board recommends the re-election of each Director.

Committees of the Board

The Board has appointed three committees, to assist its operations. Each committee's delegated responsibilities are clearly defined in formal terms of reference, which are available from the Company's Registered Office. Miss Dixon chairs the Audit Committee and Mr Hills chairs the Management Engagement Committee and the Disclosure Committee. Each committee comprises all of the independent Directors of the Company.

Audit Committee

The main responsibilities of the Audit Committee and the matters addressed by the Committee during the year under review are detailed in the Audit Committee Report on pages 29 and 30.

Management Engagement Committee

The Management Engagement Committee is responsible for reviewing the performance of the Investment Manager and making recommendations to the Board about the continuing appointment of the Investment Manager. The Committee also reviews the Company's other service providers and meets periodically.

The Management Engagement Committee met once over the course of the year.

Disclosure Committee

Following the implementation of the Market Abuse Regulation ("MAR") in July 2016, the Board agreed to form a Disclosure Committee, comprising all Directors and chaired by Mr Hills, to ensure the identification of inside information and the Company's ongoing compliance with MAR. The Committee will meet on an ad hoc basis.

The Disclosure Committee met on two occasions over the course of the year.

Remuneration Matters

The Board has resolved that, in view of the size of the Board, it is most appropriate for matters of remuneration to be dealt with by the Board as a whole.

Full details of the remuneration arrangements for Directors can be found in the Directors' Remuneration Report on pages 31 to 33.

Nomination Matters

The Board as a whole undertakes the role of the Nomination Committee.

Review of new Board appointments is a subject for the whole Board to monitor and consider, led by the independent Directors. The Board meets as and when required for this purpose.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of financial and other relevant information and reports and that statutory obligations of the Company are met.

Dialogue with Shareholders

Communication with Shareholders is given a high priority by both the Board and the Investment Manager. Shareholders can communicate with the Board by writing to the Company Secretary at the address disclosed on page 60. Major Shareholders of the Company are offered the opportunity to meet with the Investment Manager and the Directors in order to ensure that their views are understood. During the year under review, the Chairman met with a number of major Shareholders. All Shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and Shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairman.

The half-yearly and annual reports are designed to present a full and readily understandable review of the Company's activities and performance. Copies are available from www.strategicequitycapital.com.

Conflicts of Interest

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. He or she must request authorisation from the Board as soon as he or she becomes aware of the possibility of an interest that conflicts or might possibly conflict with the interests of the Company (a "situational conflict"). The Company's Articles of Association authorise the Board to approve such situations, where deemed appropriate.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include: whether the situational conflict could prevent the Director from properly performing his or her duties; whether it has, or could have, any impact on the Company; and whether it could be regarded as likely to affect the judgment and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

Internal Control Review

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness. An ongoing process, in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been established for identifying, evaluating and managing the risks faced by the Company. This process is regularly reviewed by the Board. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can provide only reasonable, not absolute, assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review process, which has been in place for the year ended 30 June 2018 and up to the date of this report, covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board considers the Company's objectives in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties of operating the relevant controls.

Against this backdrop, the Board has split the review into four sections reflecting the nature of the risks being addressed. The sections are as follows:

- corporate strategy;
- published information and compliance with laws and regulations;
- relationship with service providers; and
- investment and business activities.

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Board has concluded that there is no need for the Company to have an internal audit function. Instead, the Directors obtain information from key third party suppliers regarding the controls operated by them. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

- details of the control environment;
- identification and evaluation of risks and control objectives;
- assessment of the communication procedures; and
- assessment of the control procedures.

The key procedures which have been established to provide effective internal controls are as follows:

- investment management is provided by GVQIM. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Investment Manager at regular meetings. The Audit Committee reviews compliance reports from the Investment Manager on a twice-yearly basis, and the Investment Manager's compliance officer is in attendance at these meetings;
- the provision of administration, accounting and company secretarial duties are the responsibility of PATAC Limited. The Audit Committee reviews the report on controls from PATAC Limited on an annual basis;
- J.P. Morgan Europe Limited act as depository and J.P. Morgan Chase Bank N.A. act as custodian to the Company. The Audit Committee reviews J.P. Morgan's internal controls report on an annual basis;
- the duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual agreements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews detailed financial information produced by the Investment Manager and the Company Secretary on a regular basis.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the report and financial statements. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Audit Committee Report

The Committee held two scheduled meetings during the year under review.

The Committee's main responsibilities are:

1. *To review the half year and annual financial statements*

The Committee considers whether the financial statements are fair, balanced and understandable.

In addition, consistency of accounting policies, key areas of judgement, the clarity of disclosure and compliance with accounting and listing requirements, the going concern assumption and the results of the audit are all covered in the work of the Committee.

2. *To review the risk management and effectiveness of internal control policies and procedures of the Company and its service providers*

The Committee reviews and considers the Company's statement on risk management and internal control systems included in the financial statements prior to endorsement by the Board.

3. *In relation to the external auditor:*

- to review and approve terms of the external auditor;
- meet with the external auditor to discuss the outcomes of their audit work;
- liaise with the auditor in respect of their planning of their work and engagement terms, including fees;
- review auditor independence;
- consider appropriateness and terms of any auditor appointment in respect of any non-audit work; and
- make recommendations to the Board relating to appointment and re-appointment.

4. *Consider the need for an internal audit function*

The Board has concluded that there is no need for an internal audit function owing to the nature of the Company's activities and the fact that most functions are subcontracted.

The following matters were addressed by the Committee during the period under review.

Risk Management and Effectiveness of Internal Controls

The Committee conducted a robust review of the effectiveness of the Company's risk management and internal control systems in September 2018, as part of its consideration of the Annual Report and Financial Statements for the year ended 30 June 2018. The review included considering those risks that might threaten the Company's business model, future performance, solvency or liquidity.

During the year the Committee has considered the following:

- the appropriateness of the risk matrix of the Company;
- the reports on the effectiveness of internal controls and risk management systems of the principal service providers to the Company; and
- the quarterly reports from the Depository.

Following that process, the Committee then recommended to the Board the endorsement of the statement on internal control, as included in this Report on page 28.

Half Year and Annual Financial Statements

Both the Half-yearly Report for the period ended 31 December 2017 and the Annual Report for the year ended 30 June 2018 were reviewed in detail and in line with the Committee's responsibilities and formal recommendations were made to the Board for approval. The Committee considered the basis and reasonableness of the valuation of the Company's quoted investments, as a significant matter. The Committee also considered the following other matters:

- the basis and reasonableness of the valuation of the Company's unquoted investment, Vintage 1;
- in discussion with the Auditor and the Investment Manager, the calculation of the investment management and performance fees payable to the Investment Manager;
- the prospects of the Company over the three year period agreed by the Board when assessing the long-term viability of the Company, and the appropriateness of the statement from the Directors, as included in this Annual Report; and

- the use of the going concern principle in the preparation of the financial statements for the year ended 30 June 2018. The Committee considered evidence supporting this principle and reviewed the statement on going concern for endorsement by the Board. This can be found on page 19.

Auditor

KPMG LLP was appointed as the Company's Auditor with effect from 17 February 2016 following an audit tender process in December 2015. The Audit Partner rotates every five years in accordance with ethical guidelines and 2018 is the third year for the current partner.

Independence and Objectivity of the Auditor

The Committee reviewed the independence and objectivity of KPMG LLP as the Auditor in September 2018. The Committee had no grounds to question the independence or objectivity of the audit firm, their partner or management. The Committee also considered the performance of the Auditor by discussing separately amongst themselves the appropriateness of KPMG LLP's approach to the audit, by detailed discussion with the Audit Partner at the Audit Committee meeting in September 2018 of the quality of their report to the Company, and from their ability to assist the Committee in questions raised. The Committee was satisfied with the performance of the Auditor.

Audit Fees

The Audit Committee reviewed the audit plan and fees presented by the Auditor and considered their report on the annual financial statements at a meeting of the Committee attended by the Auditor. The fee for the audit of the Annual Report and Financial Statements for the year ended 30 June 2018 of £20,200 (excluding VAT) was considered and approved by the Committee for recommendation to the Board.

Non-audit Services

Any proposed non-audit services must be approved in advance by the Audit Committee and will be reviewed in light of statutory requirements to maintain the Auditor's independence.

Re-appointment of the Auditor

Following this review, the Committee is satisfied with the performance of KPMG LLP and has no hesitation in recommending their appointment as statutory Auditor to the Company. A resolution to this effect will therefore be put to Shareholders at the forthcoming Annual General Meeting to be held on 7 November 2018.

Josephine Dixon
Audit Committee Chairman
28 September 2018

Directors' Remuneration Report

The Board has prepared this report in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Ordinary resolutions for the approval of this report and Directors' Remuneration Policy will be put to Shareholders at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 35 to 38.

Directors' Remuneration Report

Statement from the Chairman

The Board presents the Directors' Remuneration Report for the year ended 30 June 2018, which has been prepared in accordance with the Companies Act 2006.

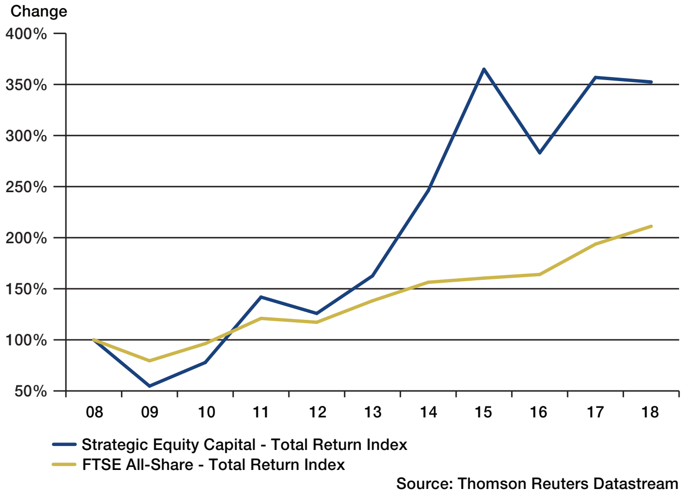
The Board has resolved that, in view of the size of the Board, it is most appropriate for matters of remuneration to be dealt with by the Board as a whole. The Remuneration Policy is set out on page 33.

During the year ended 30 June 2018, Directors' fees were set at a rate of £35,000 for the Chairman, £27,500 for the Chairman of the Audit Committee and £24,000 for a non-executive Director of the Company. Following a review of the level of Directors' fees for the forthcoming year the Board concluded that the amounts should be increased. Therefore, with effect from 1 July 2018, the Chairman's fee was increased to £35,700 (previously £35,000), the Chairman of the Audit Committee's fee was increased to £28,100 (previously £27,500) and Non-executive Directors fees were increased to £24,500 (previously £24,000) per annum.

There will be no change to the way the current approved Remuneration Policy will be implemented in the course of the next financial year.

Your Company's performance

The Company is required to include a performance graph in this report comparing the Company's total shareholder return performance against that of a broad equity market index. The Company is legally required to present a performance comparison. However, comparison against an index is not the objective of the Company. The following graph compares the total shareholder return to the total return on the FTSE All-Share Total Return Index. This index has been selected for comparison of the Company's performance for its generic



Directors' emoluments for the year ended 30 June 2018 (audited)

The Directors who served in the year were paid the following emoluments in the form of fees:

	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Richard Hills	**35,000**	35,000
William Barlow	**24,000**	24,000
Josephine Dixon*	**26,113**	27,500
Richard Locke*	**25,387**	24,000
Sir Clive Thompson‡	**24,000**	24,000
Total	**134,500**	134,500

* Richard Locke took on the role of Chairman of the Audit Committee between 7 February 2018 and 30 June 2018 while Josephine Dixon recovered from illness.

‡ Sir Clive Thompson's Director's fees are paid to Storm Financial Limited.

Relative importance of spend on pay

The table below, which is a statutory requirement, sets out, in respect of the financial year ended 30 June 2018 and the preceding year:

a) the remuneration paid to Directors; and

b) the cash returned to Shareholders by way of dividend.

	Year ended 30 June 2018 £	Year ended 30 June 2017 £	Change
Total remuneration	**134,500**	134,500	nil
Dividend paid	**531,000**	545,000	(2.6%)

Directors' interests (audited)

There is no requirement under the Company's Articles of Association, or their terms of appointment, for Directors to hold shares in the Company.

The interests of the Directors and any connected persons in the Ordinary shares of the Company are set out below:

	30 June 2018	30 June 2017
Richard Hills	60,000	60,000
William Barlow	10,000	10,000
Josephine Dixon	10,000	10,000
Richard Locke*	30,000	30,000
Sir Clive Thompson	2,679,102	2,679,102

* This interest is held jointly by Mr Locke and Mrs Mary Locke.

There have been no changes to any of the above holdings between 30 June 2018 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

Directors' service contracts

None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the year. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment, and every year thereafter. Directors are not entitled to any termination payments in relation to their appointment. The Directors have committed to standing for annual re-election in the interests of good corporate governance.

Approval of Directors' Remuneration Report and Directors' Remuneration Policy

The Directors' Remuneration Report for the year ended 30 June 2017 was approved by Shareholders at the Annual General Meeting held on 8 November 2017. The votes cast by proxy were as follows:

Directors' Remuneration Report	Number of votes	% of votes cast
For	29,050,731	99.94
Against	12,000	0.04
At Chairman's discretion	4,988	0.02
Total votes cast	**29,067,719**	**100.00**
Number of votes withheld	155	

The Directors' Remuneration Policy, which was approved by Shareholders at the Annual General Meeting held on 11 November 2015, will be put to Shareholders at the forthcoming Annual General Meeting and will next be put to shareholders at the Annual General Meeting in 2021. The votes cast by proxy on 11 November 2015 were as follows:

Directors' Remuneration Policy	Number of votes	% of votes cast
For	23,125,625	99.96
Against	10,000	0.04
At Chairman's discretion	–	nil
Total votes cast	**23,135,625**	**100.00**
Number of votes withheld	Nil	

Directors' Remuneration Policy

A resolution to approve this Remuneration Policy is put to Shareholders' vote at least once every three years and in any year if there is to be a change in the Directors' Remuneration Policy.

The Company follows the recommendation of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent on the Company's affairs. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

Any views expressed by Shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The Articles provide that the aggregate limit for Director's fees in any one year is £200,000. Approval by Shareholders would be required to increase that limit. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits as the Board does not consider it to be appropriate at this time. There are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive directors.

It is intended that the Company's policy when determining the duration of notice periods and termination payments under the Directors' letters of appointment will be based on prevailing best practice guidelines. Under the Directors' letters of appointment, there is no notice period and no compensation is payable to a Director on leaving office.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 28 September 2018 and signed on its behalf by the Chairman.

Richard Hills
Chairman
28 September 2018

Statement of Directors' Responsibilities in respect of the Report and Financial Statements

The Directors are responsible for preparing the 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 they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

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

Richard Hills
Chairman
28 September 2018

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Independent auditor's report

to the members of Strategic Equity Capital plc

1. Our opinion is unmodified

We have audited the financial statements of Strategic Equity Capital plc ("the Company") for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its return for the year then ended;

— have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 17 February 2016. The period of total uninterrupted engagement is the 3 years ended 30 June 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		£1.75m (2017: £1.79m) 1% of Total Assets
Risks of material misstatement		
Recurring risks	Carrying amount of quoted investments	◄►

2. Key audit matters: our assessment of risks of material misstatement

A key audit matter is one that, in our professional judgment, is of most significance in the audit of the financial statements and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by us, including the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2017) in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

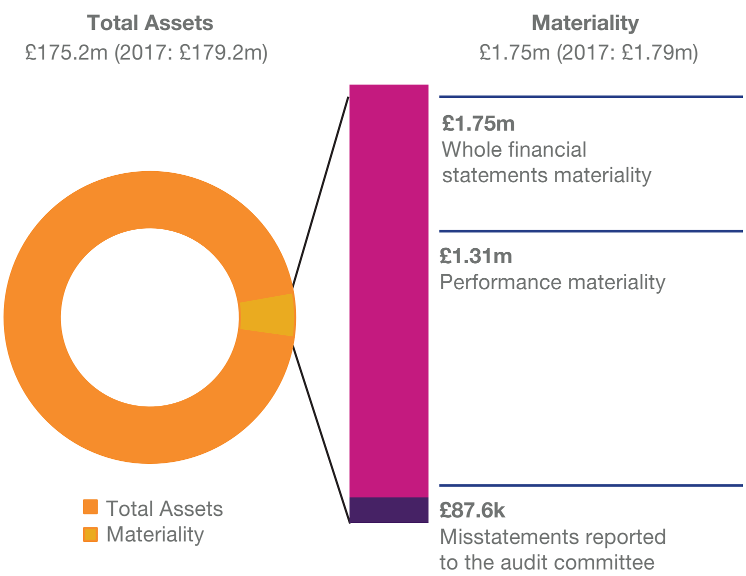
	The risk	Our response
Carrying amount of quoted investments (£160.2m; 2017: £161.6m) *Refer to page 29 (Audit Committee Report), page 43 (accounting policy) and pages 49 to 52 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 91.4% of the Company's total assets by value and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Tests of detail:** Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results** — We found the carrying amount of quoted investments to be acceptable (2017: acceptable).

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

Materiality for the financial statements as a whole was set at £1.75m (2017: £1.79m), determined with reference to a benchmark of total assets, of which, it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £87,600 (2017: £89,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the administrator, PATAC Limited, in Edinburgh.



4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 19 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement page 19 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that 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 position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 34, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) as well as the Company qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team, which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls

8. The purpose of our audit work and to whom we owe our responsibilities

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.

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
28 September 2018

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Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	**Year ended 30 June 2018** Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2017 Revenue return £'000	Capital return £'000	Total £'000
Investments							
Gains on investments held at fair value through profit or loss	8	**–**	**1,640**	**1,640**	–	41,587	41,587
		–	**1,640**	**1,640**	–	41,587	41,587
Income							
Dividends	2	**3,156**	**–**	**3,156**	2,955	–	2,955
Interest	2	**36**	**–**	**36**	36	–	36
Total income		**3,192**	**–**	**3,192**	2,991	–	2,991
Expenses							
Investment Manager's fee	3	**(1,449)**	**–**	**(1,449)**	(1,418)	–	(1,418)
Investment Manager's performance fee	3	**–**	**–**	**–**	–	(1,856)	(1,856)
Other expenses	4	**(592)**	**–**	**(592)**	(583)	–	(583)
Total expenses		**(2,041)**	**–**	**(2,041)**	(2,001)	(1,856)	(3,857)
Net return before taxation		**1,151**	**1,640**	**2,791**	990	39,731	40,721
Taxation	5	**(30)**	**–**	**(30)**	(75)	–	(75)
Net return and total comprehensive income for the year		**1,121**	**1,640**	**2,761**	915	39,731	40,646
		pence	**pence**	**pence**	pence	pence	pence
Return per Ordinary share	7	**1.65**	**2.41**	**4.06**	1.31	56.98	58.29

The total column of this statement represents the Statement of Comprehensive Income. The supplementary revenue and capital return columns are both prepared under guidance published by the AIC. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 43 to 58 form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2018

	Note	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 30 June 2018								
1 July 2017		**6,986**	**31,737**	**36,814**	**97,305**	**2,264**	**1,238**	**176,344**
Net return and total comprehensive income for the year		**–**	**–**	**–**	**1,640**	**–**	**1,121**	**2,761**
Dividends paid	6	**–**	**–**	**–**	**–**	**–**	**(531)**	**(531)**
Share buy-backs		**–**	**–**	**(4,293)**	**–**	**–**	**–**	**(4,293)**
30 June 2018		**6,986**	**31,737**	**32,521**	**98,945**	**2,264**	**1,828**	**174,281**
For the year ended 30 June 2017								
1 July 2016		6,986	31,737	38,932	57,574	2,264	868	138,361
Net return and total comprehensive income for the year		–	–	–	39,731	–	915	40,646
Dividends paid	6	–	–	–	–	–	(545)	(545)
Share buy-backs		–	–	(2,118)	–	–	–	(2,118)
30 June 2017		6,986	31,737	36,814	97,305	2,264	1,238	176,344

The notes on pages 43 to 58 form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Note	**30 June 2018 £'000**	30 June 2017 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**161,055**	162,931
Current assets			
Trade and other receivables	10	**75**	354
Cash and cash equivalents	14	**14,094**	15,891
		14,169	16,245
Total assets		**175,224**	179,176
Current liabilities			
Trade and other payables	11	**(943)**	(2,832)
Total assets less current liabilities		**174,281**	176,344
Net assets		**174,281**	176,344
Capital and reserves:			
Share capital	12	**6,986**	6,986
Share premium account	13	**31,737**	31,737
Special reserve	13	**32,521**	36,814
Capital reserve	13	**98,945**	97,305
Capital redemption reserve	13	**2,264**	2,264
Revenue reserve	13	**1,828**	1,238
Total shareholders' equity		**174,281**	176,344
		pence	pence
Net asset value per share	15	**260.16**	256.00
		number	number
Ordinary shares in issue	12	**66,990,660**	68,883,472

The financial statements were approved by the Board of Directors of Strategic Equity Capital plc on 28 September 2018. They were signed on its behalf by

Richard Hills
Chairman
28 September 2018
Company Number: 05448627

The notes on pages 43 to 58 form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Operating activities			
Net return before taxation		**2,791**	40,721
Adjustment for gains on investments		**(1,640)**	(41,587)
Irrecoverable witholding tax		**(30)**	(75)
Operating cash flows before movements in working capital		**1,121**	(941)
Decrease/(increase) in receivables		**54**	(76)
(Decrease)/increase in payables		**(2,241)**	2,262
Purchases of portfolio investments		**(47,839)**	(42,186)
Sales of portfolio investments		**51,869**	46,197
Net cash flow from operating activities		**2,964**	5,256
Financing activities			
Equity dividend paid	6	**(531)**	(545)
Shares bought back in the year		**(4,239)**	(2,116)
Net cash flow from financing activities		**(4,770)**	(2,661)
(Decrease)/increase in cash and cash equivalents for year		**(1,806)**	2,595
Cash and cash equivalents at start of year		**15,891**	13,303
Revaluation of foreign currency balances	14	**9**	(7)
Cash and cash equivalents at 30 June	14	**14,094**	15,891

The notes on pages 43 to 58 form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2018

1.1 Corporate information

Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 whose shares are publicly traded. The Company is an investment company as defined by Section 833 of the Companies Act 2006.

The Company carries on business as an investment trust within the meaning of Sections 1158/1159 of the UK Corporation Tax Act 2010.

The financial statements of Strategic Equity Capital plc for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

1.2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board (as adopted by the EU), interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of United Kingdom company law, and reflect the following policies which have been adopted and applied consistently. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC is applied to the extent it is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

The financial statements of the Company have been prepared on a going concern basis, on the assumption the continuation vote is passed by Shareholders at the forthcoming Annual General Meeting.

Convention

The financial statements are presented in Sterling, being the currency of the Primary Economic Environment in which the Company operates, rounded to the nearest thousand, unless otherwise stated to the nearest one pound.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

1.3 Accounting policies

Investments

All investments held by the Company are classified as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increase in fair value, listed equities, unquoted equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. Investments are initially recognised at cost, being the fair value of the consideration.

After initial recognition, investments are measured at fair value, with movements in fair value of investments and impairment of investments recognised in the Statement of Comprehensive Income and allocated to the capital column.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date, without adjustment for transaction costs necessary to realise the asset.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. New investments are initially carried at cost, for a limited period, being the price of the most recent investment in the investee company. This is in accordance with IPEV Valuation Guidelines as the cost of recent investments will generally provide a good indication of fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

1.3 Accounting policies *(continued)*

Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date" i.e. the day that the Company commits to purchase or sell the asset. Regular way purchases, or sales, are purchases or sales of financial assets that require delivery of the asset within a time frame generally established by regulation or convention in the market place.

Income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Company's right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Dividends receivable from UK and overseas registered companies are accounted for on a gross basis. Where withholding tax is paid, the amount will be recognised in the revenue column of the Statement of Comprehensive Income as part of the tax expense and deemed as irrecoverable. For dividends which are of a capital nature, they are recognised in the capital column of the Statement of Comprehensive Income. Income on fixed income securities is recognised on a time apportionment basis, using the effective interest rate method, from the date of purchase.

Expenses

All expenses are accounted for on an accruals basis. The Company's investment management and administration fees, finance costs (calculated using the effective interest rate method) and all other expenses are charged through the Statement of Comprehensive Income. These expenses are allocated 100% to the revenue column of the Statement of Comprehensive Income. The Investment Manager's performance fee is allocated 100% to the capital column of the Statement of Comprehensive Income. In the opinion of the Directors the fee is awarded entirely for the capital performance of the portfolio.

Cash and cash equivalents

Cash and cash equivalents which are held to maturity are carried at fair value. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows and Balance Sheet.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years. The tax effect of different items of expenditure is allocated between the revenue and capital columns of the Statement of Comprehensive Income on the same basis as the particular item to which it relates, using the Company's effective rate of tax.

Deferred income tax is provided on all temporary differences at the Balance Sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred income tax liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Dividends payable to Shareholders

Dividends to Shareholders are recognised as a deduction from equity in the year in which they have been declared and approved by the shareholders. The final dividend is proposed by the Board and is not declared until approved by the Shareholders at the Annual General Meeting following the year end. Dividends are charged to the Statement of Changes in Equity.

1.3 Accounting policies *(continued)*

Share capital transactions

Share issues and related accounts

Incremental costs directly attributable to the issuance of shares are recognised as a deduction from share premium arising from the transactions.

Share buy-backs for capital reserve

When share capital is repurchased, the amount of the consideration paid is recognised as a deduction from special reserve.

Share buy-backs for treasury

Shares which are repurchased are either classified as treasury shares and are presented as a deduction from special reserve or are cancelled.

Foreign currency transactions

The currency of the Primary Economic Environment in which the Company operates is Sterling which is also the presentational currency. Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the date of the transaction.

Investments and other monetary assets and liabilities are converted to Sterling at the rates of exchange ruling at the Balance Sheet date. Exchange gains and losses relating to investments and other monetary assets and liabilities are taken to the capital column of the Statement of Comprehensive Income.

Critical accounting estimates and assumptions

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the Balance Sheet and Statement of Comprehensive Income at the date of the financial statements. Although the estimates are based on best knowledge of current facts, circumstances, and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments and investments to which there is an inactive market. These are valued in accordance with the techniques set out in note 8. At the year end, such investments represent less than 0.49% of the net assets and consequently, the Board does not believe these to represent an area of significant judgement or estimation.

1.4 New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which are not effective for the year ended 30 June 2018 and have not been applied in preparing these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date*
IFRS 9	Financial Instruments	1 January 2018†
IFRS 15	Revenue from Contracts with Customers	1 January 2018†
IFRS 16	Leasing	1 January 2019

* Years beginning on or after.
† Early adoption permitted.

The Directors do not anticipate that the initial adoption of the above standards will have a material impact in the period of initial application.

2 Income

	Year ended 30 June 2018 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2017 Revenue return £'000	Capital return £'000	Total £'000
Income from investments:						
UK dividend income	**3,008**	**–**	**3,008**	2,582	–	2,582
Overseas dividend income	**148**	**–**	**148**	373	–	373
	3,156	**–**	**3,156**	2,955	–	2,955
Liquidity interest	**36**	**–**	**36**	36	–	36
	3,192	**–**	**3,192**	2,991	–	2,991
Total income comprises:						
Dividends	**3,156**	**–**	**3,156**	2,955	–	2,955
Interest	**36**	**–**	**36**	36	–	36
	3,192	**–**	**3,192**	2,991	–	2,991
Income from investments:						
Listed UK	**3,008**	**–**	**3,008**	2,582	–	2,582
Listed overseas	**148**	**–**	**148**	373	–	373
Liquidity interest	**36**	**–**	**36**	36	–	36
	3,192	**–**	**3,192**	2,991	–	2,991

3 Investment Manager's fee

	Year ended 30 June 2018 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2017 Revenue return £'000	Capital return £'000	Total £'000
Management fee	**1,449**	**–**	**1,449**	1,418	–	1,418
Performance fee	**–**	**–**	**–**	–	1,856	1,856
	1,449	**–**	**1,449**	1,418	1,856	3,274

A basic management fee was payable to the Investment Manager at the lower of (i) the annual rate of 1.0% of the NAV of the Company or (ii) 1.0% per annum of the market capitalisation of the Company until 31 December 2017. From 1 January 2018 the basic fee is 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears. The Investment Manager is also entitled to a performance fee, details of which are given in the Strategic Report on page 16.

4 Other expenses

	Year ended 30 June 2018			Year ended 30 June 2017		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	**113**	**–**	**113**	120	–	120
Auditors' remuneration for:						
Audit services*	**20**	**–**	**20**	20	–	20
Directors' remuneration	**135**	**–**	**135**	135	–	135
Other expenses	**324**	**–**	**324**	308	–	308
	592	**–**	**592**	583	–	583

All expenses include VAT where applicable, apart from audit services which is shown net.

* No non-audit fees were incurred during the year.

5 Taxation

	Year ended 30 June 2018			Year ended 30 June 2017		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Corporation tax at 19.00% (2017: 19.75%)	**–**	**–**	**–**	–	–	–
Overseas dividend withholding tax*	**30**	**–**	**30**	75	–	75
	30	**–**	**30**	75	–	75

The Company is subject to corporation tax at 19.00%. As at 30 June 2018 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK. The differences are explained below:

* IFG Group withholding tax paid £29,642 (2017: £74,603).

5 Taxation *(continued)*

	Year ended 30 June 2018			Year ended 30 June 2017		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**1,151**	**1,640**	**2,791**	990	39,731	40,721
Theoretical tax at UK corporation tax rate of 19.00% (2017: 19.75%)	**219**	**311**	**530**	195	7,847	8,042
Effects of:						
– UK dividends that are not taxable	**(571)**	**–**	**(571)**	(510)	–	(510)
– Overseas dividends that are not taxable	**(28)**	**–**	**(28)**	(75)	–	(75)
– Unrelieved expenses	**380**	**–**	**380**	390	–	390
– Overseas dividend withholding tax	**30**	**–**	**30**	75	–	75
– Non-taxable investment gains	**–**	**(311)**	**(311)**	–	(7,847)	(7,847)
	30	**–**	**30**	75	–	75

Factors that may affect future tax charges

At 30 June 2018, the Company had no unprovided deferred tax liabilities (2017: £nil). At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £20,100,000 (2017: £18,100,000) that are available to offset future taxable revenue. A deferred tax asset of £3,819,000 (2017: £3,620,000) has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an Investment Trust company.

6 Dividends

Under the requirements of Sections 1158/1159 of the Corporation Tax Act 2010 no more than 15% of total income may be retained by the Company. These requirements are considered on the basis of dividends declared in respect of the financial year as shown below.

	30 June 2018 £'000	30 June 2017 £'000
Final dividend proposed of 1.00p (2017: 0.78p) per share	**(661)**	(533)

The following dividends were declared and paid by the Company in the financial year:

	30 June 2018 £'000	30 June 2017 £'000
Final dividend: 0.78p per share (2017: 0.78p)	**531**	545

Dividends have been solely paid out of Revenue.

7 Return per Ordinary share

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net return £'000	**Weighted average number of Ordinary shares**	**Per share pence**	Net return £'000	Weighted average number of Ordinary shares	Per share pence
Total						
Return per share	**2,761**	**67,919,623**	**4.06**	40,646	69,731,772	58.29
Revenue						
Return per share	**1,121**	**67,919,623**	**1.65**	915	69,731,772	1.31
Capital						
Return per share	**1,640**	**67,919,623**	**2.41**	39,731	69,731,772	56.98

8 Investments

	30 June 2018 £'000	30 June 2017 £'000
Investment portfolio summary		
Listed investments at fair value through profit or loss	**160,198**	161,579
Unquoted investments at fair value through profit or loss	**857**	1,352
	161,055	162,931

8 Investments *(continued)*

	Listed £'000	Unquoted £'000	30 June 2018 Total £'000
Analysis of investment portfolio movements			
Opening book cost	**120,179**	**72**	**120,251**
Opening investment holding gains	**41,400**	**1,280**	**42,680**
Opening valuation	**161,579**	**1,352**	**162,931**
Movements in the year:			
Purchases at cost	**48,137**	**–**	**48,137**
Sales – proceeds	**(51,032)**	**(612)**	**(51,644)**
– realised gains on sales	**12,768**	**582**	**13,350**
Decrease in unrealised appreciation	**(11,254)**	**(465)**	**(11,719)**
Closing valuation	**160,198**	**857**	**161,055**
Closing book cost	**130,052**	**42**	**130,094**
Closing investment holding gains	**30,146**	**815**	**30,961**
	160,198	**857**	**161,055**

A list of the top 10 portfolio holdings by their aggregate market values is given in the Investment Manager's report on page 9. Transaction costs incidental to the acquisitions of investments totalled £172,000 (2017: £215,000) and disposals of investments totalled £48,000 (2017: £59,000) respectively for the year.

	30 June 2018 £'000	30 June 2017 £'000
Analysis of capital gains		
Gains on sale of investments	**13,350**	24,302
Foreign exchange gains/(losses) on settlement at bank	**9**	(7)
Movement in investment holding gains	**(11,719)**	17,292
	1,640	41,587

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in measuring the fair value of each asset. The fair value hierarchy has the following levels:

Investments whose values are based on quoted market prices in active markets are classified within level 1 and include active listed equities. The Company does not adjust the quoted price for these instruments.

8 Investments *(continued)*

The definition of level 1 inputs refers to 'active markets', which is a market in which transactions take place with sufficient frequency and volume for pricing information to be provided on an ongoing basis. Due to the liquidity levels of the markets in which the Company trades, whether transactions take place with sufficient frequency and volume is a matter of judgement, and depends on the specific facts and circumstances. The Manager has analysed trading volumes and frequency of the Company's portfolio and has determined these investments as level 1 of the hierarchy.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 instruments include private equity, as observable prices are not available for these securities the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines.

Level 3 investments consist of an investment in a private equity fund of funds managed by 3i ('the Fund') and is valued at the Company's attributable proportion of the reported Fund Net Asset Value in accordance with the IPEV Valuation Guidelines. The Net Asset Value of the Fund is derived from the Fair Value of the underlying funds based on the most recent financial statements of the underlying funds adjusted for any subsequent cash movements to and from the underlying funds.

The underlying funds primarily invest in private companies which are recorded at cost or Fair Value derived from private equity valuation models and techniques. The main inputs into the valuation models of the underlying funds include industry performance, company performance, quality of management, the price of the most recent financing round or prospects for the next financing round, exit opportunities which are available, liquidity preference and net present value analysis.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value of the investment.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 30 June 2018.

Financial instruments at fair value through profit or loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2018				
Equity investments and limited partnership interests	**160,198**	**–**	**857**	**161,055**
Liquidity funds	**–**	**10,696**	**–**	**10,696**
Total	**160,198**	**10,696**	**857**	**171,751**
30 June 2017				
Equity investments and limited partnership interests	161,579	–	1,352	162,931
Liquidity funds	–	15,443	–	15,443
Total	161,579	15,443	1,352	178,374

There were no transfers between levels for the year ended 30 June 2018 (2017: none).

8 Investments (continued)

The following table presents the movement in level 3 instruments for the year ended 30 June 2018 by class of financial instrument.

	Total unquoted investments £'000
Opening balance at 1 July 2017	1,352
Proceeds from disposals during the year	(612)
Gains on disposals during the year included in the Statement of Comprehensive Income	582
Decrease in unrealised appreciation included in the Statement of Comprehensive Income	(465)
Closing balance	857

9 Significant interests

The Company had holdings of 3% or more in the following companies:

Name of investment	**Class of Share**	**30 June 2018 Percentage held**
IFG Group	Ordinary	9.74%
Tribal Group	Ordinary	9.64%
Wilmington Group	Ordinary	7.03%
Proactis Holdings	Ordinary	6.37%
Medica	Ordinary	6.15%
Ergomed PLC	Ordinary	5.26%
Oxford Metrics	Ordinary	4.06%

10 Trade and other receivables

	30 June 2018 £'000	30 June 2017 £'000
UK dividends receivable	**68**	102
Amount due from brokers	**–**	224
Other receivables and prepayments	**7**	28
	75	354

11 Trade and other payables

	30 June 2018 £'000	30 June 2017 £'000
Amounts due to brokers for settlement of trades	465	113
Investment Manager's performance fee	–	1,856
Other payables and accruals	478	863
	943	2,832

12 Nominal share capital

	Number	£'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
Ordinary shares in circulation at 30 June 2017	69,858,891	6,986
Shares held in Treasury at 30 June 2017	(975,419)	(98)
Ordinary shares in issue per Balance Sheet at 30 June 2017	68,883,472	6,888
Shares bought back during the year to be held in Treasury	(1,892,812)	(189)
Ordinary shares in issue per Balance Sheet at 30 June 2018	66,990,660	6,699
Shares held in Treasury at 30 June 2018	2,868,231	287
Ordinary shares in circulation at 30 June 2018	69,858,891	6,986

13 Reserves

For the year ended 30 June 2018	Share premium account £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	31,737	36,814	54,625	42,680	2,264	1,238
Net gain on realisation of investments	–	–	13,350	–	–	–
Decrease in unrealised appreciation	–	–	–	(11,719)	–	–
Foreign exchange differences	–	–	9	–	–	–
Share buy-backs	–	(4,293)	–	–	–	–
Net return for the year	–	–	–	–	–	1,121
Dividends paid	–	–	–	–	–	(531)
As at 30 June 2018	31,737	32,521	67,984	30,961	2,264	1,828

The Special reserve and Revenue reserve represent the amount of the Company's distributable reserves.

13 Reserves *(continued)*

For the year ended 30 June 2017	Share premium account £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	31,737	38,932	32,186	25,388	2,264	868
Net gain on realisation of investments	–	–	24,302	–	–	–
Increase in unrealised appreciation	–	–	–	17,292	–	–
Foreign exchange differences	–	–	(7)	–	–	–
Share buy-backs	–	(2,118)	–	–	–	–
Investment Manager's performance fee	–	–	(1,856)	–	–	–
Net return for the year	–	–	–	–	–	915
Dividends paid	–	–	–	–	–	(545)
As at 30 June 2017	31,737	36,814	54,625	42,680	2,264	1,238

14 Reconciliation of net cash flow to net funds

	30 June 2018 £'000	30 June 2017 £'000
Opening net funds	**15,891**	13,303
(Decrease)/increase in cash and cash equivalents in year	**(1,806)**	2,595
Non cash movement:		
– Foreign exchange gains/(losses) on bank	**9**	(7)
Closing net funds	**14,094**	15,891

	At 30 June 2017 £'000	Net cash flow £'000	**At 30 June 2018 £'000**
Cash at bank	448	2,950	**3,398**
Liquidity funds	15,443	(4,747)	**10,696**
	15,891	(1,797)	**14,094**

15 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £174,281,000 (2017: £176,344,000) and on 66,990,660 (2017: 68,883,472) Ordinary shares, being the number of shares in issue at the year end.

16 Capital commitments and contingent liabilities

The Company has a commitment to invest €1,560,000 (2017: €1,560,000) in Vintage 1, details of which are given in the Investment Management Report on page 11.

17 Analysis of financial assets and liabilities

The Company's financial instruments comprise securities, cash balances (including amounts held in liquidity funds) and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Company has little exposure to credit and cash flow risk. Credit risk is due to uncertainty in a counterparty's ability to meet its obligations. The Company has no exposure to debt purchases and ensures that cash at bank is held only with reputable banks with high quality external credit ratings. All the assets of the Company which are traded on listed exchanges are held by J.P.Morgan Chase Bank N.A., the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board reviews the Custodian's annual controls report and the Investment Manager's management of the relationship with the Custodian.

The Company invests in markets that operate DVP (Delivery versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Due to timings of investment and distributions, at any one time the Company may hold significant amounts of surplus cash. Any funds in excess of those required to meet daily operational requirements are invested in Institutional Liquidity Funds. These are highly liquid assets that are redeemable on less than 24 hours notice. The Company only invests in funds that have an AAA rating and the funds' performance is monitored by the Investment Manager. As at 30 June 2018 the Company had £10,696,000 (2017: £15,443,000) invested in such funds. The maximum exposure to credit risk is £14,169,000 (2017: £16,245,000). There are no assets past due or impaired (2017: none).

The Company finances its operations through its issued capital and existing reserves.

The principal risks the Company faces in its investment portfolio management activities are:

- market price risk, i.e. the movements in value of investment holdings caused by factors other than interest rate movement;
- interest rate risk;
- liquidity risk; and
- foreign currency risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year:

Policy

(i) Market price risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager.

Adherence to the investment objectives and the limits on investment set by the Company mitigates the risk of excessive exposure to any one particular type of security or issuer.

17 Analysis of financial assets and liabilities *(continued)*

If the investment portfolio valuation fell by 20% from the 30 June 2018 valuation (2017: 20%), with all other variables held constant, there would have been a reduction of £32,211,000 (2017: £32,586,000) in the return after taxation and equity. An increase of 20% in the investment portfolio valuation would have had an equal and opposite effect on the return after taxation and equity. The calculations are based on the fair value of investments at 30 June 2018 and these may not be representative of the year as a whole.

(ii) Cash flow interest rate risk exposure

The Company's bank accounts earn interest at a variable rate which is subject to fluctuations in interest rates.

The Company holds cash in liquidity funds. Income from these funds is dependent on the performance of the funds, which is subject to fluctuations in interest rates (along with other factors).

If interest rates had reduced by 0.5% from those obtained at 30 June 2018 (2017: 0.5%), it would have the effect, with all other variables held constant, of reducing the net return after taxation and equity by £70,000 (2017: £79,000). If there had been an increase in interest rates of 0.5% there would have been an equal and opposite effect in the net return after taxation and equity. The calculations are based on the cash balances at 30 June 2018 and are not representative of the year as a whole.

Non-interest rate risk exposure

The remainder of the Company's portfolio and current assets and liabilities are not subject directly to interest rate risk (2017: same).

Details of the interest rate risk profile of the Company are shown in the following tables.

The interest rate risk profile of the Company's financial assets at 30 June 2018 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Listed investments	160,198	160,198	–
Liquidity funds	10,696	–	10,696
Cash	3,398	–	3,398
Receivables*	68	68	–
Closing net funds	174,360	160,266	14,094
Euros			
Unquoted investments	857	857	–
	857	857	–
Total	175,217	161,123	14,094

* Receivables exclude prepayments which under IAS 32 are not classed as financial assets.

17 Analysis of financial assets and liabilities *(continued)*

The interest rate risk profile of the Company's financial assets at 30 June 2017 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Listed investments	161,579	161,579	–
Liquidity funds	15,443	–	15,443
Cash	448	–	448
Receivables*	326	326	–
Closing net funds	177,796	161,905	15,891
Euros			
Unquoted investments	1,352	1,352	–
	1,352	1,352	–
Total	179,148	163,257	15,891

* Receivables exclude prepayments which under IAS 32 are not classed as financial assets.

The interest rate risk profile of the Company's financial liabilities at 30 June 2018 was:

	Total £'000	**No interest rate risk financial assets £'000**
Sterling		
Creditors	**943**	**943**

All amounts were due in three months or less for a consideration equal to the carrying value of the creditors shown above.

The interest rate risk profile of the Company's financial liabilities at 30 June 2017 was:

	Total £'000	No interest rate risk financial assets £'000
Sterling		
Creditors	**2,832**	**2,832**

All amounts were due in three months or less for a consideration equal to the carrying value of the creditors shown above.

17 Analysis of financial assets and liabilities (continued)

(iii) Liquidity risk

The Investment Manager may invest on behalf of the Company in securities which are not readily tradable, which can lead to volatile share price movements. It may be difficult for the Company to sell such investments. Although the Company's AIM quoted investments and unquoted investments are less liquid than securities listed on the London Stock Exchange, the Board seeks to ensure that an appropriate proportion of the Company's investment portfolio is invested in cash and readily realisable investments, which are sufficient to meet any funding requirements that may arise.

(iv) Foreign currency risk

The Company invests in a private equity fund (Vintage 1) denominated in Euros and a dual listed Irish security (IFG Group), these are the only non-Sterling assets. The Company is, therefore, subject to foreign currency risk.

During the year the Sterling/Euro exchange rate fluctuated 7.32% between a low of 1.0791 on 29 August 2017 and a high of 1.1581 on 16 April 2018, before closing at 1.1301 on 30 June 2018 (2017: 1.1396).

If the Sterling/Euro exchange rate had weakened by 15% from that obtained at 30 June 2018 (2017: 15%), it would have the effect, with all other variables held constant, of increasing net profit and equity Shareholders' funds by £1,065,000 (2017: £1,323,000). An strengthening of 15% (2017: 15%) would have had an equal but opposite effect on the net profit and equity Shareholders' funds. The calculations are based on the value of the investment in Vintage 1 and IFG Group as at 30 June 2018 and this may not be representative of the year as a whole. The balance exposed to foreign currency risk is £6,034,000 (2017: £7,495,000).

Fair values of financial assets and financial liabilities

The carrying value of the financial assets and liabilities of the Company is equivalent to their fair value (2017: same).

Managing Capital

Capital structure

The Company is funded through Shareholders' equity and cash reserves. The Company's Articles of Association permit the Board to borrow up to 25% of the Company's net asset value at the time of borrowing. Capital is managed so as to maximise the return to Shareholders while maintaining an appropriate capital base to allow the Company to operate effectively in the marketplace and to sustain future development of the business. The Company pays such dividends as are required to maintain its investment trust status, and may also from time to time return capital to Shareholders through the purchase of its own shares at a discount to net asset value.

Capital requirement

The Company operates so as to qualify as a UK investment trust for UK tax purposes. Although no longer a requirement for obtaining and retaining investment trust status, it remains the Company's investment policy that the maximum investment in any single investee company will be no more than 15% of the Company's investments at the time of investment.

The Company's capital requirement is reviewed regularly by the Board.

18 Related party transactions and transactions with the Investment Manager

The Investment Manager may draw upon advice from the IAP of which Sir Clive Thompson, a Director of the Company, is a member. The IAP was established to provide advice to the Investment Manager in relation to the strategy, operations and management of potential investee companies.

The amounts payable to the Investment Manager are disclosed in note 3 on page 46. The amount due to the Investment Manager for management fees at 30 June 2018 was £329,000 (2017: £728,000). The amount due to the Investment Manager for performance fees at 30 June 2018 was £Nil (2017: £1,856,000).

Fees paid to Directors are disclosed in the Directors' Remuneration Report on page 31. Full details of Directors' interests are set out on page 32.

Alternative Investment Fund Managers Directive (“AIFMD”) Disclosures (Unaudited)

The Company’s AIFM is GVQIM.

In accordance with the AIFMD, information in relation to the Company’s leverage and the remuneration of the Company’s AIFM is required to be made available to investors. In accordance with the Directive, the AIFM’s remuneration policy and remuneration disclosures in respect of the year ended 31 December 2017 are available from GVQIM on request.

The Company’s maximum and actual leverage levels at 30 June 2018 are shown below:

Leverage Exposure	Gross Method	Commitment Method
Maximum limit	125%	125%
Actual	100%	100%

The Company’s investor disclosure document was updated during the year following the change in Depositary and amendment to the management fee agreement.

The investor disclosure document and all additional periodic disclosures required in accordance with the requirements of the FCA Rules implementing the AIFMD in the UK are made available on the Company’s website (www.strategicequitycapital.com).

Corporate Information

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An investment company as defined under Section 833 of the Companies Act 2006.
REGISTERED IN ENGLAND AND WALES No. 5448627
A member of the Association of Investment Companies

Notice of Annual General Meeting

This document is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent professional adviser, without delay. If you have sold or transferred all of your ordinary shares in the capital of the Company and, as a result, no longer hold any Ordinary shares in the Company, please send this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary shares in the Company, you should retain the documents and consult the person through whom the sale was effected.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Strategic Equity Capital plc will be held at the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR on 7 November 2018 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited Financial Statements for the year ended 30 June 2018, together with the Strategic Report and Reports of the Directors and Auditor thereon.
2. To declare a final dividend of 1.00p per Ordinary share.
3. To receive and approve the Directors' Remuneration Report.
4. To approve the Policy on Directors' Remuneration.
5. To re-elect Richard Hills as a Director.
6. To re-elect Josephine Dixon as a Director.
7. To re-elect Richard Locke as a Director.
8. To re-elect William Barlow as a Director.
9. To appoint KPMG LLP as Auditor to the Company, to hold office from the conclusion of this Meeting until the next General Meeting at which financial statements are laid.
10. To authorise the Directors to determine the remuneration of KPMG LLP.

Special Business

Ordinary Resolutions

11. THAT the Company continue as an investment trust until the conclusion of the next Annual General Meeting of the Company.
12. THAT in addition to any existing authority, the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £661,357 (equivalent to 6,613,571 shares and 10% of the issued share capital as at 27 September 2018), which authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and 7 February 2020 (unless previously revoked or varied by the Company in General Meeting) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

13. THAT in addition to any existing authority, the Board be and it is hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred by resolution 12 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 573 of the said Act, as if Section 561 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities or sale of shares out of treasury up to an aggregate nominal value of £661,357 (equivalent to 6,613,571 shares and 10% of the issued share capital as at 27 September 2018), and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and 7 February 2020, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Board may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

14. THAT, in substitution for the Company's existing authority, the Company be and 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 of the Act) of its Ordinary shares of 10p each ("Ordinary shares") provided that:

    (i) the maximum number of Ordinary shares hereby authorised to be purchased shall not exceed 9,913,742 Ordinary shares (being 14.99% of the Company's issued ordinary share capital as at 27 September 2018 (being the latest practicable date prior to the date of this notice) excluding any Ordinary shares held in treasury);

    (ii) the minimum price which may be paid for an Ordinary share shall be not less than the nominal amount of such Ordinary share at the time of purchase; and

    (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of (a) 5% above the average of the middle market prices of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the Ordinary shares, and (b) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time.

    This authority shall continue for the period ending on the earlier of: (i) the date on which the maximum number of Ordinary shares authorised to be purchased pursuant to this resolution 14 have been purchased by the Company; (ii) the date of the next Annual General Meeting of the Company after the passing of this resolution; and (iii) 7 May 2020 provided that if the Company has agreed, before this authority expires, to purchase Ordinary shares where the purchase will or may be executed after this authority expires (whether wholly or in part), the Company may complete such purchase as if this authority has not expired.

Registered Office:	By Order of the Board
c/o Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH	PATAC Limited Company Secretary 28 September 2018

Notes:

As a shareholder, you have the right to attend, speak and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof. In order to exercise all or any of these rights, you should read the following explanatory notes to the business of the Annual General Meeting.

1. The Company specifies that only those Shareholders registered on the register of members of the Company as at close of business on 5 November 2018 (or in the event that the meeting is adjourned, only those Shareholders registered on the register of members of the Company as at 6.00 pm on the day which is 48 hours prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours before the time of the meeting.

   The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder.

   The termination of the authority of a person to act as proxy must be notified to the Company in writing. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority shall be determined by the order in which the names of the holders stand in the register.

   Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.

3. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statements of the rights of members in relation to the appointment of proxies in note 2 above do not apply to a Nominated Person. The rights described in this note can only be exercised by registered members of the Company.

5. As at 27 September 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 66,135,710 Ordinary shares carrying one vote each and the total number of voting rights was 66,135,710.

6. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:

   a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;

   b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

7. Shareholders should note that it is possible that, pursuant to requests made by Shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to:

   (i) 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 Annual General Meeting; or

   (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

   The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

8. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:

   a) to do so would:

      (i) interfere unduly with the preparation for the meeting, or

      (ii) involve the disclosure of confidential information;

   b) the answer has already been given on a website in the form of an answer to a question; or

   c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. 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.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent ID 3RA50 by the latest time for receipt of proxy appointments specified in note 2 above.

   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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   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 his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   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.

10. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

11. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

12. The Annual Report incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this Notice will be available on the Company's website, www.strategicequitycapital.com

13. None of the Directors has a contract of service with the Company. A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.

STRATEGIC EQUITY CAPITAL PLC

www.strategicequitycapital.com