STRATEGIC EQUITY CAPITAL PLC
REPORT & FINANCIAL STATEMENTS

for the year ended 30 June 2015

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.

The Company's investment policy can be found on page 16.

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 6.

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 listed on the main market of the London Stock Exchange. The mid-market 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 0870 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 2015	At 30 June 2014	% change
Performance			
Total return for the year[1]	**25.80%**	38.63%	
Capital return			
Net asset value (statutory) per Ordinary share	**217.69p**	173.66p	25.4%
Ordinary share price (mid-market)	**230.25p**	156.00p	47.6%
Premium/(discount) of Ordinary share price to net asset value	**5.8%**	(10.2)%	
Average (discount) of Ordinary share price to net asset value for the year	**(1.1)%**	(11.7)%	
Total assets (£'000)[2]	**139,114**	104,183	33.5%
Equity shareholders' funds (£'000)[2]	**136,242**	103,429	31.7%
Ongoing charges[3]	**1.4%**	1.3%	
Revenue return per Ordinary share	**0.99p**	0.76p	
Dividend yield[4]	**0.40%**	0.50%	
Proposed final dividend for year	**0.78p**	0.78p	
Ordinary shares in issue with voting rights[2]	**62,583,891**	59,558,111	5.1%

Year's Highs/Lows	**High**	**Low**
Net asset value per Ordinary share	220.75p	178.36p
Ordinary share price	230.25p	156.00p

[1] *Total return is the total increase/decrease in net asset value per share plus dividends paid.*

[2] *The Company's fifth tender offer took place in May 2014. As a result, 2,382,098 shares were bought back for cancellation in July 2014 at a cost of £3,716,940 (including stamp duty). A sixth tender offer took place in November 2014. 109,722 shares were bought back and held in treasury at a cost of £182,582. During the period January 2015 to June 2015, the Company issued 5,407,878 shares for a consideration of £11,711,869.*

[3] *The ongoing charges figure has been calculated using the Association of Investment Companies' ("AIC's") recommended methodology and relates to the ongoing costs of running the Company. Non-recurring fees are therefore excluded from the calculation.*

[4] *Dividend yield is calculated using the proposed dividend for the year and the closing share price.*

Directors

The Directors who served during the year, all of whom are non-executive, are as follows:

Richard Hills (Chairman) – Independent Director

Mr Hills was appointed as Chairman on 18 September 2014. He has substantial investment trust board experience and is currently on the boards of JP Morgan Income & Capital plc and is chairman of Henderson Global Trust plc. He also chairs Aztec Group Ltd which is one of the largest Channel Islands private equity fund administrators.

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. He is also a former director of J Sainsbury plc, Wellcome plc, Seeboard plc, Caradon plc and BAT Industries plc.

John Cornish – Independent Director

Mr Cornish was formerly a partner at Deloitte LLP where for 15 years he led the firm's services to the investment trust industry. Subsequently he served as chairman of Framlington Innovative Growth Trust plc for four years and currently he is a director of RIT Capital Partners plc, Henderson EuroTrust plc and Allianz Technology Trust plc. Mr Cornish retired from the Board on 14 November 2014.

Ian Dighé – Independent Director

Mr Dighé is currently executive chairman of Miton Group plc. He was a non-executive director of Artemis Alpha Trust plc and founder and deputy chairman of Bridgewell Group plc. After successfully selling Bridgewell in 2007, he formed Matterley whose interests were acquired by Charles Stanley Group plc in September 2009. He is also a director of a number of private companies and charitable trusts.

Josephine Dixon – Independent Director

Miss Dixon was appointed to the Board as a non-executive Director on 14 July 2014. A Chartered Accountant, she has a career that spans a number of financial and commercial roles in a variety of sectors from financial services to football, where she was Finance Director of Newcastle United PLC between 1995 and 1998. She has substantial investment trust Board experience and is currently on the boards of Worldwide Healthcare Trust PLC, F&C Global Smaller Companies PLC, Standard Life Equity Income Trust plc, JP Morgan European Investment Trust plc and Plutus Powergen plc.

John Hodson – Independent Director

Mr Hodson joined Singer & Friedlander Limited in 1969, he became a director in 1984 and in 1993 he was appointed chief executive of Singer & Friedlander Group plc. From 2000 to 2003 he served both as chairman and chief executive of the group. He was also a director of Domino's Pizza Group plc from 2005 to 2014. Mr Hodson retired from the Board on 10 February 2015.

Richard Locke – Independent Director

Mr Locke was appointed to the Board as a non-executive Director on 10 February 2015. He has been a managing director of Fenchurch Advisory Partners, an independent corporate finance advisory firm that specialises in the financial services sector, since 2007. Previously he was a partner of Cazenove & Co. and then a director at its successor firm, JPMorgan Cazenove.

Michael Phillips – Independent Director

Mr Phillips founded iimia Investment Group plc in 2001 (which became MAM Funds plc in 2010 and is now Miton Group plc) and in a period of seven years built it into a group with funds under management and advice of over £2.8 billion. As chief executive he was responsible for the day to day operations of the group until September 2008 when he left to pursue other interests. Mr Phillips is a director of Miton Worldwide Growth Investment Trust plc and a Fellow of the Chartered Institute for Securities & Investment. Mr Phillips retired from the Board on 14 July 2014.

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

I am delighted to report that the Company made excellent progress in the year ended 30 June 2015. This is particularly pleasing given the variable market conditions during the year, as well as the strong performance in the prior year. The performance of both the share price and net asset value ("NAV") per share has been very encouraging. The Company's share price also moved from trading at a discount to NAV to a premium to NAV during the year.

The increase in the Company's market capitalisation, principally through share price performance, as well as issuance of shares, culminated in the Company being included in the FTSE All-Share index with effect from 22 June 2015. This led to tracker/index funds purchasing shares in the Company for the first time at the end of the year under review.

Performance

As at 30 June 2015, the Company had net assets of £136.2 million (217.69 pence per share). This represented an increase of 31.7% (25.4% per share) over the period. Including dividends, the Company delivered a NAV total return to shareholders of 25.8% per share. The Company's NAV outperformed the FTSE Small Cap ex Investment Trusts Total Return Index ("FTSE Small Cap Index") by 17.4%. This strong absolute and relative performance was delivered despite an average cash balance of c.8.2%. The performance of the share price exceeded that of the NAV due to a narrowing of the discount. During the year the share price rose from 156.0p to 230.25p an increase of 47.6%. When dividends are allowed for the total return of the share price was 48.1%.

The Company has delivered a NAV total return per share of 117.2% over the past three years, exceeding the 88.3% return from the FTSE Small Cap Index by 28.9%. The portfolio's average net cash balance over this period was 9.8%. The Company's five year NAV total return per share growth of 233.0% has exceeded the return from the Index by more than 100%, during which time the average net cash balance in the portfolio has been 7.7%. Notably, growth in the Company's NAV has been delivered without the use of gearing and with relatively low volatility.

Discount Management

The discount to NAV at which the Company's shares traded narrowed significantly from an average of 11.7% in the year ended 30 June 2014 to an average of 1.0% for the year ended 30 June 2015. The share price ended the period trading at a 5.8% premium to NAV. The Board believes that the narrowing in the discount has been driven by the combination of strong ongoing performance, the Company's increased profile among institutional and retail investors and the transformation of the Company's shareholder base from those investors more focused on the discount to NAV at which the Company's shares have historically traded to longer term holders focused on the Company's investment strategy.

Dividend

The Directors continue to expect that returns for shareholders will derive primarily from the capital appreciation of the shares rather than from dividends. However, in order to qualify as an investment trust, no more than 15% of the income which the Company derives from its investments will be retained in respect of the year. Accordingly, the Board is proposing a final dividend of 0.78p per Ordinary share for the year ending 30 June 2015 (0.78p in 2014), payable on 18 November 2015 to shareholders on the register as at 16 October 2015.

Tender

Since May 2012, in a bid to narrow the discount to NAV at which the Company's shares have historically traded, the Company has undertaken semi-annual tender offers in May and November each year in the event that the discount to NAV at which the Company's shares trade exceeds, on average, 10% over the relevant six month period to June or December as the case may be. Each tender offer was for up to 4% of the Company's issued share capital at a price equivalent to a 10% discount to NAV (including current period revenue and deducting the estimated tender costs) per share. The tender offer undertaken by the Company in November 2014 was significantly undersubscribed since the Company's shares were trading at a premium to the tender price.

Given that, in the six month period to 30 June 2015, the shares have traded on average, at approximately par, and since the year end, the average premium to NAV has been 7.3%. The Board is not proposing to take shareholder authorities for tenders going forward. The Board will continue to monitor closely the premium/discount to NAV at which the Company's shares trade and, if the Company's shares trade at a discount over a sustained period in the future, will consider what action to take, including, inter alia, the re-introduction of tender offers.

Chairman's Statement *(continued)*

Development of the Company

At the Annual General Meeting held on 14 November 2014, the Company took standard authority for the issuance of new shares or sale of treasury shares at a premium to NAV non-pre-emptively (the "AGM Authority").

As the Company's shares began to trade at a premium to their NAV, the Company sold the 109,722 shares that had been held in treasury following the November tender offer and applied to the UK Listing Authority for the grant of a block listing of 5,607,878 shares (being the number of shares which it had authority to issue non-pre-emptively under the AGM Authority). This facility has now been exhausted.

In response to ongoing demand from existing and potential investors, as well as the Board's desire to manage the premium to NAV at which the Company's shares have generally traded since December 2014, the Board, supported by the Manager, announced its intention, on 5 June 2015, to seek Shareholder authority to implement a Share Issuance Programme for up to 20 million Shares. Accordingly, at a general meeting of the Company held on 31 July 2015, in order to enable the Company to implement the Share Issuance Programme, Shareholders granted the Directors authority to allot up to 20 million Shares on a non-pre-emptive basis potentially increasing the Company's issued share capital by 31.95%. The increase in share capital, if fully utilised, largely replaces equity which has been cancelled through buybacks and tender offers since 2010.

The Board recognises that the Manager's focused investment strategy in smaller companies has limited capacity. However, following discussions with the Manager, the Board is satisfied that the Manager's approach will be able to absorb the additional capital raised pursuant to the Share Issuance Programme. In addition, the Board envisages that Shares would be issued over time under the Share Issuance Programme, subject to market conditions, particularly when the Investment Manager has identified suitable investment opportunities in order to minimize cash drag.

Since the Share Issuance Programme opened on 3 August 2015, the Company has undertaken an over-subscribed placing of 4 million Shares. The Company can issue shares on an ad hoc basis under the Share Issuance Programme in order to manage the premium to NAV at which the Company's shares trade. Accordingly, the Company has put in place a block listing in respect of 6 million of the shares under the Share Issuance Programme in order to facilitate such ad hoc share issuance to meet ongoing market demand and to manage the premium.

The Board will closely monitor the capacity of the Investment Manager's strategy and will only consider future issuance of new shares if the Company's investment strategy and performance are not compromised.

Further details of the share issuance undertaken during the financial period and since the year end are contained on page 20 in the Directors' Report.

The Board

The Company continued its process of Board refreshment during the year. As previously announced to the market, Michael Phillips and John Cornish stepped down from the Board in July 2014 and November 2014 respectively. The Board thanks them for their service. John Hodson retired from the Board on 10 February 2015, having been Chairman from 2005 to 2014. On behalf of the Board, I would like to take this opportunity to thank John for his great contribution to the Company over this period.

Having served as a Director since 2009, Ian Dighé will retire from the Board at the end of this year's Annual General Meeting and will not seek re-election. I would like to thank Ian for his sterling efforts over this period.

Two new Directors joined the Board during the year. Josephine Dixon was appointed to the Board on 14 July 2014 and Richard Locke was appointed on 10 February 2015. The Board is also currently seeking a replacement for Ian Dighé and expects to complete this process shortly.

Investment Manager

I am delighted to note below the numerous awards won by both the Company and the Investment Manager due to the strong performance during the year. This recognition is well deserved.

- Investment Company of the Year Awards – UK Smaller Companies Trust of the Year, 2014
- Fund Manager of the Year, Quoted Company Awards 2015
- Fund Manager of the Year, PLC Awards 2014
- UK Smaller Company Trust of the Year 2015, Moneywise
- UK Smaller Company Trust of the Year 2015, Money Observer
- UK Investment Trust of the Year 2015, What Investment – for the second year in succession

In December 2014, RIT Capital Partners plc ("RIT") announced that it had entered into an agreement to acquire the Investment Manager from Hansa Aktiengesellschaft ("Hansa"). RIT also entered into an agreement to acquire Hansa's shareholding in the Company on completion of the transaction. Both transactions have now completed. The Investment Manager will continue to operate as a separate legal entity with the same autonomous management team, structure and process. The Board looks forward to continuing to work closely with the Investment Manager and its new owner RIT.

Gearing and Cash Management

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

The Board, together with the Investment Manager, has a conservative approach to gearing due to the concentrated nature of the portfolio. No gearing has been in place at any point during the period. From time to time cash balances are maintained reflecting the desire to maintain liquid resources for when suitable investment opportunities 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 11.30 a.m. on Wednesday 11 November 2015 at the offices of Canaccord Genuity Limited, 41 Lothbury, London EC2R 7AE. This will be an opportunity to meet the Board and to receive a presentation from the Company's Manager.

Outlook

The Board shares the Investment Manager's belief that the long term prospects for the Company remain encouraging. The existing portfolio is in good shape, with individual companies enjoying strong balance sheets and materially better growth prospects than the broader smaller companies sector. Notwithstanding the Company's strong performance over recent years, the Investment Manager continues to uncover attractive investment opportunities. The highly selective investment approach, combined with the Investment Manager's willingness to engage directly with portfolio companies, augur well for the future progress of the Company.

The Board would like to thank you for your continued support.

Richard Hills
Chairman
17 September 2015

Investment Manager's Report

Investment Strategy

Our strategy is to invest predominately in publicly quoted companies which will increase their value through strategic, operational or management change. We follow a practice of constructive corporate engagement and aim to work with management teams in order to enhance shareholder value. We aim to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters. We try to avoid confrontation with investee companies as we believe that there is strong evidence that overtly hostile activism generally produces poor returns for investors.

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

The typical investee company, at the time of initial investment, is too small to be considered for inclusion in the FTSE 250 Index. 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 can be more attractively valued.

We believe that this approach, if properly executed, will generate favourable risk adjusted returns for shareholders over the long term.

Market Background

Over the past year, there have been a number of macro and geopolitical events for investors to consider. The Scottish referendum; the UK general election; the continuing structural challenges in the Eurozone driven by the lack of exchange rate flexibility, which appear to be holding back growth and debt reduction; the Greek referendum; BRIC economies (Brazil, Russia, India, China) seeing a significant slow down in growth for differing reasons; the collapsing bubble in Chinese equities; expectations of interest rate rises in the US; a collapse in the price of oil and some other hard commodities.

Despite these macro and geopolitical challenges, and against an environment of earnings disappointments, many UK quoted companies have seen their shares re-rate. With equities being the asset class which looks least expensive, and the significant yield premium offered over many fixed income investments, we believe that equity markets have, in general, been driven upwards by quantitative easing.

These factors have led to the diverging performances of the main UK equity indices over the period. The FTSE 100 delivered a pedestrian 0.5% return over the year, heavily influenced by the poor performance of oil and gas and mining stocks. The FTSE 350 Oil & Gas Producers and FTSE 350 Mining indices both fell by more than 20% over the year – a material drag on markets as these sectors account for more than 20% of the FTSE100 Index.

The FTSE 250 Index was the top performing market, delivering a 15% return over the year. We believe that this return in aggregate was driven by re-rating and dividends, while earnings growth disappointed. Small Companies fared less well, with the FTSE Small Cap Index delivering a total return of 8.4% and FTSE AIM a negative 2.5% total return. The resource constituent companies on AIM heavily influenced this return.

Within the UK Smaller Companies sector, a decline in risk appetite through the latter part of 2014 and leading up to the UK General Election led to discounts widening on most UK Smaller Company investment trusts, and a continuation of outflows for UK Smaller Company OEICs which began in April 2014. There were twelve successive months of outflows across UK Smaller Company OEICs, with a total of £1.8bn withdrawn, equivalent to more than 15% of the assets under management in that sector.

In this environment, it was surprising that ratings continued to rise. We have noted over the past year that liquidity in quoted companies with market capitalisations below £350m is poor, and deteriorates materially in companies with market capitalisations below £100m. So in this environment, daily prices have not always been indicative of where sizeable volumes of shares can be traded. We were also surprised by the relative strength of the IPO market leading up to the general election, albeit successful raises were typically higher quality companies which were reasonably priced.

A decisive UK election result in May, allied with better than expected UK economic data, led to these open ended fund flows reversing, with May 2015 witnessing the first inflows since March 2014. Discounts on UK Smaller Companies trusts also narrowed post the election. At the end of the period, this euphoria was tempered by the Greek situation, concerns over rising interest rates in the USA and some high profile profit warnings which appeared to be company specific rather than driven by the economic cycle. To counter balance these negatives, there was a pick up in M&A among smaller quoted companies.

Performance Review

Despite the mixed investment environment for smaller companies, the portfolio's performance over the period was pleasingly strong, once again driven by stock specific factors. The Company benefitted from the successful bid for **Allocate Software**, a mid sized holding, at a healthy 35% premium to the undisturbed share price. This is the eighth technology related investee company to be successfully bid for since 2006. Six of these have been purchased by UK or US-based private equity investors.

Notably, only one small portfolio holding materially disappointed over the year, a victim of a combination of the plunging oil price and disruptive M&A amongst its key customers.

Top 5 contributors to performance

Company	Valuation at period end £'000	Period attribution (basis points)
4Imprint	8,456	528
E2V Technologies	15,125	503
Wilmington Group	11,397	294
Allocate Software	–	275
EMIS Group Plc	10,695	246

4imprint delivered a total shareholder return of 70% over the year, as it continued to show strong organic sales growth of 25% and earnings per share growth of 32%, both in US dollars. To help continue the de-risking of the legacy UK pension deficit, the company undertook a buy-in, transferring $84.6m of pension scheme assets and contributing $22.4m to insure a liability of $94.4m. Post this exercise, 78% of the total pension liability is insured, which will significantly reduce the volatility and size of the pension deficit. The company also announced a plan for a $9m capital investment to expand the US infrastructure to support the next five years of growth. We believe that the return on capital from this project will be very attractive. The shares have continued to re-rate and ended the period on a forward p/e of almost 20x. If the earnings growth of the last few years can be replicated, then this rating appears reasonable.

E2V delivered a total return of 54% over the period. The company released a positive year end trading update in April 2015, showing some early traction with the new CEO's improvement plan. The broader investment community has become more interested in the self-help opportunity and potential at E2V, which has led to a re-rating of the shares. This re-rating has enabled the market capitalisation to rise above £500m, which in turn has elicited more investor interest. If the company can deliver its aim of doubling operating profits without raising equity over the next five years, analyst forecasts would appear to be far too conservative. Some of this potential is now priced into the shares. However, we believe that the shares continue to offer a good risk/reward balance.

Wilmington delivered a total return of 35% over the year. The shares began the period trading at depressed levels, as poor trading liquidity had led to the shares being excluded from the FTSE All-Share Index in the June 2014 review. This provided an excellent liquidity event to add to the existing investment at a price which was temporarily depressed. The new CEO unveiled his vision for the business and the plan to transform the company from a group of companies to a coherent integrated business.

As detailed in the interim report, in October 2014, **Allocate Software** was subject to a successful take over bid from HgCapital, a mid-market private equity investor. This was a successful investment for the Company, having generated 2.6x cash return and 26% IRR over a holding period of some five years. Over the same period, the FTSE Small Cap ex Investment Trusts Index delivered 1.9x cash return and an IRR of 14%.

Investment Manager's Report *(continued)*

EMIS continued to deliver predictably good results, with organic growth and underlying cash flow exceeding expectations. EMIS has continued to utilise its strong cashflows and balance sheet to make small bolt on acquisitions over the period. The shares have performed well since our initial investment in March 2014. However, we believe that the post tax free-cashflow of 5%, allied with predictable low double digit earnings growth, remains attractive. Over the medium term, we anticipate that the ongoing integration of the business units purchased as part of Ascribe have the potential to deliver higher group margins. The healthcare software space has witnessed considerable M&A activity of late. Private equity and trade purchasers appear to have recognised the potential for these companies to grow sustainably whilst supporting the twin political goals of improved care and efficiency.

Outside of the top five contributors, other holdings enjoyed strong rises in their share prices. **Clinigen**, a new investment made in July 2014, delivered a total return of 71% following the initial purchase. Shares in the specialist pharmaceuticals products and services company rallied from an oversold position, and were bolstered by strong final results. In April 2015, it announced the transformational acquisition of IDIS alongside a material equity fundraising at 500p, which was used to significantly increase the initial investment. The shares ended the period trading at 623p. Whilst Clinigen has significantly outperformed our expectations in the first year of investment, we continue to believe that its ethical, unlicenced drug supply has many years of strong growth ahead of it, which will be amplified following the acquisition of IDIS. We also believe that the acquisition improves Clinigen's quality of earnings, as the proportion of gross profit derived from its Foscavir drug is much reduced. Whilst the shares have re-rated, we continue to believe that the shares appear reasonably rated for the organic and inorganic growth prospects of the group.

Gooch & Housego generated a total return of 44% over the period. Trading performance was strong with the company either meeting or exceeding expectations. There was considerable board change over the year, with the longstanding CEO stepping down and becoming non-Executive Chairman, and one of the non-Executive Directors becoming CEO. These are unusual circumstances, however, we are supportive of these changes. The new CEO is well placed to help Gooch & Housego enhance business development and operational practices to match its world leading technology. We concur with his view that there is scope to both improve organic sales growth as well as operating margin performance. Allied with potential bolt on acquisitions, we continue to see the prospects for exciting growth over the medium to long term.

Dignity delivered a total return of more than 40% over the period. Unusually, we purchased and sold out of the shares within twelve months, crystallising a 1.4x cash return and 47% IRR. The company delivered the usual predictable financial performance, despite the very low death rate in early 2014. In addition, it announced a surprise re-financing and return of capital during the latter part of 2014. A sharp re-rating led to the shares trading towards the top end of its ten year p/e multiple range. Whilst we believe that the company and its management team are very high quality, we decided to exit the holding on valuation grounds.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Northbridge Industrial Services	914	(114)
Journey Group	119	(41)
Goals Soccer Centres	9,298	(38)
Lavendon Group	693	(22)
RPC Group	–	(7)

With the exception of **Goals Soccer**, the bottom contributors to performance were among the smaller holdings in the portfolio.

Northbridge delivered a disappointing return over the year. The specialist equipment rental and manufacturing company has significant exposure to the oil & gas exploration and production markets in Australasia. The falling oil price and pending M&A activity amongst its customer base has led to a reduction in equipment out on hire. The uncertainty driven by M&A amongst their customers was not anticipated. The position had been reduced prior to a major profits warning alongside its AGM statement in May 2015, following a very cautious outlook statement in April. Unfortunately the low liquidity of its shares prevented a wholesale exit between these dates. The shares have settled at a level which we believe reflects a small premium to the underlying tangible next asset value.

Journey Group released in line interim results in September 2014, but signalled that the depreciation of the US Dollar against Sterling during summer 2014 was likely to reduce profits for the year. The company generates the vast majority of its profits in North America. As detailed in the interim report, most of this legacy holding was sold in a block transaction in December 2014.

Goals Soccer had a mixed year where the shares trod water following the 67% return in the previous twelve months. The interim results released in autumn 2014 were promising. However, the final results were lacklustre, with strong continued underlying growth in the US contrasting with weak underlying growth in the UK. We continue to believe that there is substantial scope to grow the US franchise, and that the UK business has still to generate historic levels of returns.

Lavendon released broadly in line earnings results over the period. The Middle East business has tended to outperform, compensating for slightly disappointing performance elsewhere in the group. Customer payment terms in the Middle East are longer than Europe at c.180 days. This adverse impact on working capital, together with capital expenditure levels increasing materially to above depreciation, have led to free cash flow reducing substantially. As a result, the holding has been reduced materially over the past year and a half and it remains a source of funds.

Volution is a very small position for the Company, initiated at the end of June 2015.

The average cash balance in the Company's portfolio was 8.5% over the period, reflecting both the Board and the Investment Manager's conservative approach to gearing and desire to retain the ability to participate in block transactions at short notice without being a forced seller of other holdings. The level of net cash at the end of the period was 10.9%, largely unchanged from the 10.6% at the beginning of the period.

Dealing activity

The level of portfolio activity was higher than in recent years, driven by M&A activity, as well as the deployment of capital raised through the issuance of Company shares. Disposals netted £42m (excluding distributions from unlisted investments) representing around 37.4% of the weighted average NAV. In addition, £0.6m of net distributions were received from unlisted investments. £44.6m of purchases were made, representing 40% of the weighted average NAV.

The takeover of **Allocate Software** realised the remaining holding, raising £8.7m.

The positions in **Advanced Medical Solutions, CVS, Dignity and RPC** were exited over the period, raising a total of £10.0m. RPC has been a longstanding holding in the portfolio. Since 2007 when RPC shares were purchased for the Company's portfolio, the investment has generated 2.0x cash return and 23% IRR. Over the same period, the FTSE Small Cap Index has delivered 1.3x cash return and 3% IRR. As a number of shareholders may be aware, together with another major investor, we engaged extensively with the company during 2008, which catalysed a change of Chairman and strategic and operational review of the business. RPC's management team and Board have generated significant value for all shareholders since this time and it is now an established member of the FTSE 250 Index.

The vast majority of the holding in **Journey Group** was sold in a block transaction, as detailed in the interim report, which raised £1.2m. **4imprint** was sold down as the shares re-rated over the year, raising £4.2m. Tyman was reduced in early 2015 following a strong share price performance, raising £3.4m.

Whilst we believe **XP Power** is a high quality business with a strong balance sheet, trading on a reasonable rating, a review of the company highlighted it was the only specialist electronics portfolio holding without significant potential operating margin upside. As a result we decided to reduce the holding. Sales raised £4m over the period.

£25.8m was invested in six new investments over the period. £7.8m was invested in **Clinigen**, a specialist pharmaceuticals services and products business, initially through a vendor placing, and subsequently as part of a secondary fundraising in April 2015.

Two positions in financial services companies were initiated in the first half of 2015. £4.5m was invested in **Brooks MacDonald** and €7.6m in **IFG Group**. These investments were made via mini-block purchases in a total of seven trades.

Tribal Group, a provider of electronic student record systems, released a disappointing trading update which provided a buying opportunity and, as a result, £5.7m was invested. £2.1m was also invested in **OMG**, a small technology conglomerate which was trading at a considerable discount to its sum-of-parts valuation.

Further investments of £14.2m were made in existing portfolio companies. The largest of these were £3.3m invested in **Servelec**, and £3.0m invested in **Goals Soccer**. The sharp sell off in October 2014 also provided some limited opportunities to buy back into longer term holdings at materially lower prices than where we had previously taken profits.

Portfolio Review

The portfolio remained highly focused, with a total of 19 holdings and the top 10 holdings accounting for 76% of the NAV at the end of the financial period. 87.8% of the portfolio was invested in quoted companies. The percentage of the portfolio invested in unlisted securities changed from 2.0% to 1.3% at the end of the period due to the currency related valuation fall from Vintage I and continued distributions. 10.9% of the NAV was invested in cash at the period end.

Investment Manager's Report *(continued)*

A major change of the past year has been the changing sector weights. Industrials have reduced from 16.8% of the NAV to 8.4%, due to the exit of RPC and the profit taking from Tyman. Financials have increased from zero to 8.1% due to the investments in Brooks MacDonald and IFG Group. Healthcare has increased from virtually nothing to 7.4% due to the investment in Clinigen.

As at the end of the period, underlying aggregated portfolio sales exposure to the UK, North America and European regions was 55%, 26% and 11% respectively, which has changed from 43%, 31% and 16% respectively at June 2014. Given portfolio companies with international exposure typically have central overheads based in the UK, we believe that the underlying profit contribution from North America and Europe is higher than the sales exposure. The increase in exposure to the UK has been as a result of the increased investments in healthcare software and financial services companies. The only UK discretionary consumer investment remains Goals Soccer Centres.

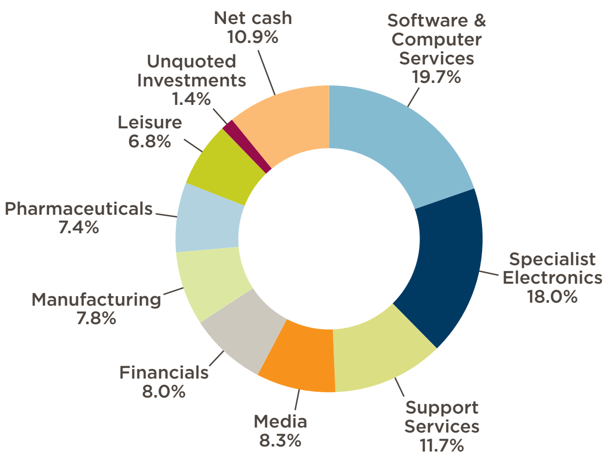
The majority of the decline in exposure to North America over the last two years is due largely to taking profits from Tyman and top slicing 4imprint. We believe that the exposure to periphery Europe is negligible. 94% of the sales exposure to Europe is generated by specialist electronics (including space, healthcare and industrial applications), pharmaceutical products and services and B2B media (largely healthcare). The underlying sales exposure mirrors our scepticism of a broad based European economic recovery.

Portfolio as at 30 June 2015 – Top 10 Largest Investments

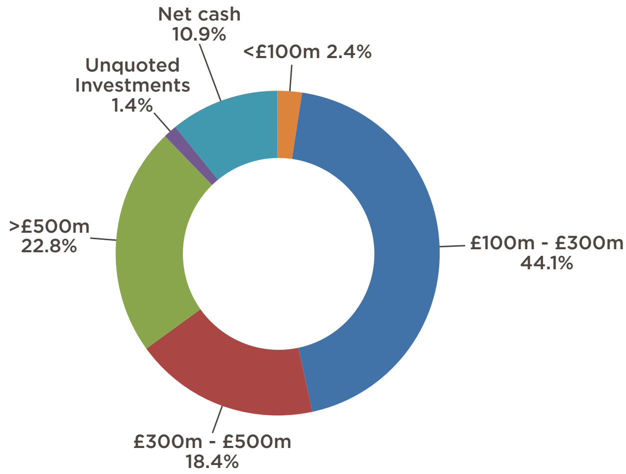
Company	Sector Classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 30 June 2015	% of invested portfolio at 30 June 2014	% of net assets
E2V Technologies	Specialist Electronics	Oct 2009	2,769	15,125	12.5	12.2	11.1
Servelec Group Plc	Software & Computer Services	Dec 2013	9,535	13,864	11.4	10.6	10.2
Wilmington Group	Media	Oct 2010	7,974	11,397	9.4	8.5	8.4
Emis Group Plc	Software & Computer Services	Mar 2014	7,381	10,695	8.8	7.9	7.9
Tyman Plc	Manufacturing	Apr 2007	3,098	10,313	8.5	12.1	7.6
Clinigen Group Plc	Pharmaceuticals	Jul 2014	7,597	10,026	8.3	–	7.4
Goals Soccer Centre	Leisure	Mar 2012	7,092	9,298	7.7	7.1	6.8
Gooch & Housego	Specialist Electronics	Dec 2011	4,587	8,829	7.3	5.8	6.5
4Imprint Group	Support Services	Feb 2006	1,990	8,456	7.0	8.6	6.2
Tribal Group	Support Services	Dec 2014	5,653	5,745	4.7	–	4.2

Portfolio as at 30 June 2015

Sector split by industry



Size split by market capitalisation



The underlying operational performance of the portfolio remains solid, with the scope for margin and growth improvement at a number of portfolio companies. At the end of the period, the portfolio in aggregate had net cash balance sheets.

Portfolio characteristics

Consensus Median portfolio characteristics	Strategic Equity Capital	FTSE Small Cap ex Investment Trusts	FTSE Small Cap ex Investments Trusts ex resources
Price/Earnings ratio (FY1)	16.9x	15.1x	16.2x
Dividend yield	2.1%	2.8%	2.8%
Price/Book ratio	2.7x	1.7x	n/a
Price/Sales ratio	2.5x	0.7x	n/a
Price/Cashflow ratio	16.7x	n/a	n/a
GVQIM Cashflow yield	9.3%	n/a	n/a
Forecast earnings growth (FY1)	15.3%	3.1%	4.3%
Forecast net debt to EBITDA	-0.1x	2.1x	1.5x

Source: Factset Portfolio Analysis System, Investec, Peel Hunt. Index statistics include loss makers.

Investment Manager's Report *(continued)*

Unlike in previous years, the aggregate statistics for the FTSE Small Cap Index are similar to the index stripping out the resource and financials sectors. However, the data shows that yet again, aggregate earnings growth across smaller quoted companies is unexciting at less than 5%. In addition, the average smaller company remains geared.

In comparison, the portfolio growth has continued to increase modestly and now stands at more than 15%. Although the GVQIM free cashflow yield* has dipped marginally below 10%, we still believe this is good value given the growth prospects of the underlying holdings. On traditional metrics, the p/e rating of the portfolio is the highest for some time in absolute terms. However, we are comfortable with these ratings due to a) the quality of the underlying portfolio companies; b) the strength of their balance sheets; and c) the forecast earnings growth. We believe that the latter is underpinned to some extent by what we perceive to be conservative forecasts of some portfolio companies which are in the process of accelerating sales growth alongside improving efficiencies. However, we continue to assume no further re-ratings for many portfolio companies.

Unlisted Investments

Over the period, the Company received a total 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

The operational and share price performance of portfolio companies in aggregate can vary materially from the broader markets. We believe that this is due to our highly selective investment process and focussed portfolio with low turnover. However, we maintain a keen interest in the overall investment environment as we are aware it can provide opportunities to invest, and to take profits, as well as monitor the performance of portfolio company peers.

Our overall view on equity markets is that whilst ratings and valuations are probably slightly above long term averages, and it is more than six years since the beginning of the current bull market in equities, equity markets can continue to progress. Quantitative Easing has led to many asset classes offering paltry forward returns. Witness the sovereign bonds issued earlier in 2015 by the Swiss and German authorities which were sold on a negative nominal yield!

However, in absolute terms, we concur with a number of clients who have expressed recently that they do not expect future returns from equities to match the strong run of the last few years, and that they perceive that general market risks are increasing.

Returns are often driven by valuation levels at the point of investment. The lower the starting valuation, the greater the likelihood of strong future returns, and vice-versa. In terms of risks, the market cannot rerate for ever, and delivering earnings growth appears to be becoming increasingly difficult for many companies. We believe that this is a feature of the maturing economic cycle, political and economic sclerosis in Europe and significant growth downgrades in the BRIC countries.

As a result, companies offering genuine sustainable structural growth should trade at premiums and be increasingly sought after. In comparison, according to the brokers Liberum Capital, there have been net outflows of UK Equity growth funds in the first half of 2015, despite their relative outperformance of the market, and net inflows into UK Equity Income funds, despite income funds in aggregate underperforming the market. We have witnessed what we believe to be some of the impact of these trends in our broad investment universe. High yielding equities with limited growth and sometimes limited cashflow often appear to be over-valued using our investment framework. We have also seen the so-called "Bond-Proxy" equities, such as large cap consumer staples companies, trade at high ratings which we find difficult to reconcile with their growth track records or prospects. In comparison, we have found what we perceive to be good value among reasonably priced high quality but small growth companies, which often have low dividend yields.

Within our investment universe, forecast earnings growth among the average constituent of the FTSE Small Cap Index ex investment trusts remains below 5%, whilst these companies' average p/e rating is in the mid-teens – hardly an exciting combination. However, our highly selective investment mandate enables us to select those companies which provide a more compelling growth/valuation mix, whilst being in our view higher quality than the broader quoted peer group.

With more than £11bn invested in UK Smaller Company Open Ended Investment Companies ("OEICS"), compared with only c.£4bn invested in investment trusts focused on UK Smaller Companies, the vast majority of fund managers in our broad peer group are subject to daily inflows and outflows on their funds. Given the uncertainties in markets and recent negative fund flows, we have observed that many peers are reluctant to invest in companies with market capitalisations of below £350m, due to the lower liquidity in the shares of these companies. As a result, there tends to be a significant discounted rating for companies below this level. The closed ended nature of the Company is perfectly suited to invest selectively in these companies for the long term. However, the lower liquidity of these companies makes stock selection disciplines critical.

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

In this environment, alongside our rigorous investment selection and due diligence process, we continue to utilise six investment tactics, which are not mutually exclusive, to protect and grow the Company's NAV per share:

1. Select above-average quality companies, which generate strong cashflows for inclusion in the portfolio;
2. Maintain a strong Company balance sheet, as well as avoid investing in companies with stretched balance sheets;
3. Self-help and structural growth – seek situations where portfolio companies can grow earnings even in a low sales and economic growth environment;
4. Engage selectively with portfolio companies to enhance and protect value;
5. Maintain a sell discipline if portfolio companies become over valued;
6. Avoid investing in companies with poison pills or structural factors which could fetter or frustrate M&A activity (defined benefit pension deficits; blocking shareholders).

In the most recent quarterly presentation, we have also highlighted five key investment themes across the portfolio, which accounted for c.66% of the invested portfolio at the period end. These are:

- Electronic record systems for healthcare and academic institutions;
- Niche electronics companies, benefitting from moving up the value chain, allied with improved management execution;
- Growth of UK Defined Contribution ("DC") pensions and self managed investments as well as the consolidation of the UK wealth management industry;
- Ethical unlicenced drug supply and sourcing;
- Continued recovery in the US residential construction industry (activity levels, whilst improving, still remain materially below the average since 1959).

Whilst no investor can eliminate the impact of the broader economic cycle on their portfolio, we believe that the first four of these categories exhibit structural growth drivers. In the case of electronic record systems and ethical unlicenced drug supply, arguably these companies' prospects should be relatively immune from cyclical shocks. In the case of the growth in UK DC pensions and the self managed investment industry, data from Australia, which introduced auto-enrolment pensions in 1992, suggests that the sector has many years of structural growth tailwinds.

We believe that next year will see another period of mixed trading from quoted companies. We would not be surprised to see volatility rise as the US eventually begins the process of raising interest rates. This could have serious knock on impacts in emerging markets which have US Dollar denominated debt. We believe that the dysfunctional economic and political institutions of the Eurozone, combined with low growth and unsustainable public debt are an ongoing threat to equity markets. Within the UK, the europhoria of the decisive general election is likely to recede as the realisation dawns of ever increasing public debts and public spending cuts to come.

We believe that the portfolio is in good health. There are hopefully more opportunities for portfolio companies to beat or exceed expectations than disappoint. We note significantly higher levels of M&A activity since the General Election. Whilst we do not rely on M&A to generate NAV growth, we are hopeful that the portfolio may benefit from some takeover activity.

Our selective investment approach requires us to discover a handful of attractive new investments each year. With a broad investment universe to search, the imperfect nature of the quoted UK smaller companies market, and the company and market knowledge we have built up over the past decade, we remain confident of continuing to find new opportunities which have the potential to deliver long term NAV growth.

Stuart Widdowson/Jeff Harris
GVQ Investment Management Limited
17 September 2015

Top 10 Investee Company Review (as at 30 June 2015)

4imprint Group is the fourth largest distributor of promotional products in the world with an international network of companies in the UK, USA, Hong Kong and Europe. 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 5% of the company's equity.

Clinigen is a niche speciality pharmaceutical and services company. It has four business units – Specialist Pharmaceuticals products, Clinical Trial Services, Managed Access and IDIS Global Access. 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. Strong cash generation should see the company de-gear rapidly over the next two years. Funds managed by the Investment Manager hold just under 2% of the company's equity.

E2V Technologies is a global market leader in the design and manufacture of specialist electronic components and low volume, high value, high reliability semi-conductors, predominately for the medical, aerospace, defence and industrial markets. An ill-timed acquisition in September 2008 funded by debt left the balance sheet of the business over-stretched as the economic downturn began. A new Finance Director, well known to GVQIM, was appointed in May 2009. The management team acted, raising new equity to pay down debt as well as restructure the UK and French cost base, a process which is now largely complete. The Company made its initial investment during December 2009 via a placing and a deeply discounted rights issue to refinance the balance sheet. During 2013, a new chairman and CEO were appointed. The new CEO updated investors in November 2014 on his strategy for improving long-term shareholder returns. Funds managed by the Investment Manager currently hold 5% 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 53% market share. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. It has grown organically every year for 24 years and just under 80% of its revenues are recurring. It is very cash generative and has used this cash to augment its product portfolio through selective acquisitions. The shares had been under pressure due to some scepticism regarding the acquisition of Ascribe in autumn 2013, as well as uncertainty surrounding the renewal of the GP Systems of Choice framework contract which was announced at the end of March 2014. Funds managed by the Investment Manager currently hold 3% of the company's equity.

Goals Soccer is a developer and operator of 5-a-side soccer centres in the UK and North America, trading from 46 centres. In early 2012, the company announced that it would significantly reduce the speed of rolling out new sites for 12-18 months. Given that the roll out of sites requires significant capital, the impact of this change was to increase the free cash generation of the business and drive a large degearing of its balance sheet. The entry valuation was a significant discount to precedent M&A – specifically the acquisition of its only major competitor, Powerleague, by Patron Capital in 2009. The management team and board is working together to optimise operational performance and return the business to growth in the UK and North America. Funds managed by the Investment Manager currently hold 7% of the company's equity.

Gooch & Housego is a global market leader in the design and manufacture of specialist optical components and subsystems. Funds managed by the Investment Manager previously invested in the company during 2010 and the Investment Manager knows the business and management team well. The company's shares derated significantly at the end of 2011 and early 2012, driven by concerns over slowing activity in their industrial division. The Investment Manager took advantage of this weakness in the share price to rebuild a stake at a significantly lower level than its exit price in late 2010. The new product development pipeline and ramping up of volumes on existing contracts has the potential to deliver significant growth over the medium term. Its fiber-optics products have strong long-term growth prospects as they substitute conventional electronics in aerospace and defence applications. The appointment of a new CEO has the potential to accelerate medium-term shareholder returns. Funds managed by the Investment Manager currently hold 4% of the company's equity.

Servelec is a UK technology company with three key divisions. The healthcare software division is a market leader in the design and operation of electronic patient records for NHS mental and community trusts. The controls division specifies, designs, assembles, installs and maintains safety and remote control systems for the oil & gas and process industries. The technologies division provides software, hardware and systems for industrial telemetry and SCADA applications. It was listed in November 2013, having previously been owned by a Singaporean listed group. The company has a robust balance sheet. Cash conversion will be strong for the foreseeable future due to the unwinding of a legacy trade debtor. In December 2014, it announced the acquisition of Corelogic. Funds managed by the Investment Manager currently hold approximately 7% of the company's equity.

Tribal is a global provider of products and services to the international education, training and learning markets. Over the past six years, the company has disposed of a number of activities to focus on the student records and administration systems. 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 in Australia and Canada, as well as updating and upselling to its existing UK customer base. Funds managed by the Investment Manager currently hold 4% of the company's equity.

Tyman is a leading international supplier of building products to the door and window industry, and was the world's leading manufacturer of marine breakaway couplings. The company has significant operations in nine separate countries across Europe, the Americas, Asia and Australasia. The building products division enjoys clear market leadership in a number of niches, with a highly diversified customer base, serving both the new build and RMI (repair and maintenance) markets. The building products division was adversely impacted by the significant fall in residential construction activity experienced since 2007, which, combined with a geared balance sheet, led to a material fall in the share price through 2008. We began building our stake in the company in late 2009 following the appointment of a new chairman. We believe that there is substantial upside from a medium-term recovery in the end markets of the building products division in North America. The recent acquisition of North American peer, Truth, has delivered significant cost and sales synergies to augment this end market recovery. Further upside remains from automating and streamlining more of its US manufacturing operations. Funds managed by the Investment Manager currently hold 6% of the company's equity.

Wilmington provides business information and training services to professional business customers in the financial services, legal and medical sectors. More than 80% of revenues in the main publishing and information division 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 over the past few years due to a significant fall, and no recovery, in its legal training market and the decline in some legacy print publications. This has masked strong growth in the rest of the business. The declining segments have now either been exited or stabilised. The company's earnings are set to grow organically at double digit rates, as well as generating significant free cash flow, neither of which we feel are fully reflected in the current rating. With a stronger balance sheet, there is potential upside from targeted M&A. The management team has a good track record of creating value from M&A. Funds managed by the Investment Manager currently hold 5% of the company's equity.

GVQ Investment Management Limited
17 September 2015

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. Properly executed, the Investment Manager believes that this investment style 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 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"). 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 out-perform 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 concentrated 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 net asset value at the time the borrowings are incurred for investment purposes.

Performance and dividend

Over the year to 30 June 2015, net assets have increased by £32.8 million representing an increase of 31.7% (25.4% on a per share basis). Further information on the performance of the Company's portfolio is contained in the Investment Manager's report on pages 6 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 intends to declare final dividends only where necessary to comply with investment trust rules. The Board recommends a final dividend of 0.78p (2014: 0.78p) per Ordinary share, amounting to £488,000 (2014: £446,000) based on the Ordinary share capital at the date of this report.

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 performances indicators:

Net asset value ("NAV") per Ordinary share

The NAV per Ordinary share, including revenue reserves, as at 30 June 2015 was 217.69p (30 June 2014: 173.66p).

Movement in the Company's share price

In the year to 30 June 2015, the Company's share price increased by 47.6% from 156.0p to 230.25p. The share price total return, taking account of the 0.78p dividend paid in the year, was 48.1%.

Premium/(discount) of the share price in relation to the NAV

Over the year, the premium/discount of the ordinary share price in relation to the NAV ranged from (10.3)% to 8.2%. As at 30 June 2015, the Company's shares traded at a premium of 5.8% (30 June 2014: (10.2)%).

Ongoing charges

The ongoing charges ratio was 1.40% in the year to 30 June 2015 (30 June 2014: 1.30%).

Events subsequent to the year end

On 7 July 2015, the Company published a circular with recommended proposals to proceed with a share issuance programme for up to 20 million new ordinary shares in the capital of the Company (the "Share Issuance Programme") and to disapply pre-emption rights in respect of the same shares (the "Circular").

At a General Meeting held on 31 July 2015, shareholders passed resolutions authorising the Board to allot equity securities up to an aggregate nominal value of £2,000,000 (which would represent 20 million ordinary shares), as set out in the Circular.

On 3 August 2015, the Company published a prospectus in relation to the Share Issuance Programme (the "Prospectus"). Further details regarding the Share Issuance Programme can be found in the Chairman's statement on page 4.

Investment Manager

The Investment Manager appointed by the Company is 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 now consists of four 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 advisors and other external due diligence providers. GVQIM currently has funds under management of more than £500m.

As detailed in the Chairman's statement on page 4, the Investment Manager was acquired by RIT in December 2014.

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 12 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.

At regular Board meetings, the Directors keep under review the performance of the Investment Manager. In the opinion of the Directors the continuing appointment of GVQIM as Investment Manager is in the best interests of shareholders as a whole.

Investment Manager's fees

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

Other Statutory Information *(continued)*

Basic fee

The basic management fee accrues weekly and is payable quarterly in arrears. The basic fee is the lower of (i) 1.0% of the adjusted NAV of the Company and (ii) 1.0% per annum of the Company's market capitalisation.

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 SmallCap (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 SmallCap (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 paid previously).

The Investment Manager will be entitled to 15% of the excess over the higher of the Benchmark NAV per share and the high watermark. Payment of a performance fee that has been earned will be deferred to the extent that the amount payable exceeds 1.75% per annum of the Company's NAV at the end of the relevant performance period (amounts deferred will be payable when, and to the extent that, following any later performance period(s) with respect to which a performance fee is payable, it is possible to pay the deferred amounts without causing that cap to be exceeded or the relevant NAV total return per share to fall below the relevant Benchmark NAV per share and the relevant high watermark).

A performance fee of £2,371,495 is payable in respect of the year ending 30 June 2015.

Administration Agreement

Under an agreement dated 12 July 2005, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited ("CSH"). The fee charged in the year was £90,000 (2014: £80,000). The majority of this increase was due to the move to the production of daily NAVs during the year. The fee is also subject to annual review based on the UK Retail Price Index. The agreement may be terminated by either party giving notice of not less than six months.

Principal risks and uncertainties associated with the Company

The Board has drawn up a matrix of risks facing the Company and regularly reviews and agrees policies for managing each risk, in order to mitigate these risks as far as is practicable. The principle risks which have been identified are as follows:

Market risk

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of equity securities and related instruments, and there can be no guarantee that the quoted value of the Company's investments will be realisable in the event of a sale.

Market price and discount volatility

The market price of the shares, as well as being affected by the Company's net asset value, also takes into account prevailing interest rates, supply and demand for the shares, market conditions and general investor sentiment. As a result, the total market value of the shares in the Company may vary considerably from the net asset value per share of the Company. In addition, other factors such as a concentrated shareholder base may contribute to infrequent trading or volatile share price movements.

Reliance on the Investment Manager

The Investment Manager has the right to resign under the Investment Management Agreement. The Investment Manager must give 12 months' written notice to the Company. Such a resignation could have an adverse effect on the Company's performance and prospects.

Reliance on third parties

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function.

Nature of investee companies

The investment portfolio is focused towards small and mid-sized companies. These companies may involve a higher degree of risk than larger sized companies. In addition, while the investment policy of the Company is to identify and invest in companies that the Investment Manager believes are undervalued, there is a risk that the Investment Manager may be unable to deliver on the strategic, management and operational initiatives identified at the time of initial investment and, as such, companies may not prove to be capable of generating additional value for shareholders and so would not assist in achieving the Company's investment objective.

Concentrated portfolio

The majority of the Company's portfolio is invested in 10 to 15 companies operating in a number of industries, as was the initial intention. As a result the portfolio could carry a higher degree of stock-specific risk than a more diversified portfolio. As the Company's objective is to achieve absolute returns rather than returns relative to a particular index or benchmark over a medium term period, the portfolio is managed without comparison to any stock market index. As a result there will be periods when the Company's performance will not correlate with such indices.

Unlisted investments

The Company may invest up to 20% of its gross assets in companies that are not listed or admitted to trading upon any recognised stock exchange. These investments may be illiquid and difficult to realise and more volatile than investments of larger, longer-established businesses. Unlisted investments are updated at least once every six months.

Overseas investments

The Company may invest up to 20% of its gross assets in companies listed or traded on recognised stock exchanges other than the London Stock Exchange.

Movements in the foreign exchange rate between sterling and the currency applicable to a particular shareholder may have an impact upon that shareholder's returns in its own currency of account.

Main trends and future development

A review of the main features of the financial year and the outlook for the coming year is to be found in the Chairman's Statement on pages 3 to 5 and the Investment Manager's Report on pages 6 to 13.

Gender diversity

The Board of Directors comprises four male Directors and one female Director.

Employees, human rights, environmental, social and community issues

The Company has no employees and the Board is comprised entirely of non-executive Directors. 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 page 17 and 18) and the Company itself has no environmental, human rights or community policies. In carrying out its activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

On behalf of the Board

Richard Hills
Chairman
17 September 2015

Report of the Directors

Directors

The Directors in office during the year and 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.

Share capital

As detailed in the Chairman's statement on page 3, the Company undertook a fifth tender offer in May 2014, buying back 2,382,098 ordinary shares for cancellation at a price of 155.26 pence per share, as announced on 1 July 2014. At a meeting in September 2014, the Board decided that it would no longer cancel tendered shares but buy them back into treasury, given the possibility that the shares would soon trade at a premium and so could be reissued thereafter at the Board's discretion, subject to the usual shareholder authorities and at a premium to the prevailing NAV. Accordingly, the Company undertook its sixth semi-annual tender offer in November 2014, buying back 109,722 ordinary shares into treasury at a price of 166.4 pence per share, as announced on 18 November 2014. All shares held in the treasury account were sold into the market in January 2015 at a premium to NAV.

On 22 January 2015, the Company applied to the UK Listing Authority for a block listing of 5,607,878 further shares (the "January Block listing"), being the number of shares which the Company had authority to issue non-pre-emptively, following shareholder approval at the Annual General Meeting held in 2014. The block listing became effective on 23 January 2015. By the year end, 5,407,878 ordinary shares had been issued by the Company under its block listing facility, which was exhausted by 14 August 2015 raising total gross proceeds of £11,594,524.

Subsequent to year end

The Company sought approval from shareholders for the establishment of a share issuance programme in respect of 20 million shares (the "Share Issuance Programme") at the general meeting held on 31 July 2015. A prospectus in respect of the Share Issuance Programme was published by the Company on 3 August 2015. The Company can issue shares on an ad hoc basis under the Share Issuance Programme in order to manage the premium to NAV at which the Company's shares trade, to satisfy continuing market demand and to raise further money for investment in accordance with the Company's published investment policy. Pursuant to the authority granted by shareholders, the Company undertook an over-subscribed placing of 4 million shares on 4 August 2015. Accordingly, the Company applied to the UK Listing Authority for a block listing of 6 million further shares. The block listing became effective on 10 August 2015 (the "August Block listing"). As at the date of this report, 1,500,000 Ordinary shares had been issued by the Company under the August Block listing. The Company has the ability to issue a further 4,500,000 shares under this facility.

The Company's issued share capital consists of 68,283,891 ordinary shares as at the date of this report, each with a nominal value of 10 pence, representing the Company's issued share capital. All shares have equal voting rights. No shares are 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 2015:

	Number of shares held	% of total voting rights
RIT Capital Partners plc	9,818,227	15.69
Brewin Dolphin	3,431,656	5.48
Arbuthnot Fund Managers	3,412,657	5.45
Mr Ian Armitage	3,200,000	5.11
Schroders plc	3,111,987	4.97
Sir Clive Thompson	2,679,102	4.28

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

On 7 August 2015, the Company was notified that B.S. Pension Fund Trustee Limited held 2,140,000 shares, representing 3.2% of voting rights as at that date and 3.1% of voting rights as at the date of this report.

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 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 24.

- Details of the powers of the Directors including powers to issue or buy back the Company's shares are disclosed above.
- 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.

Going concern

The Company's Articles of Association require a continuation vote to be proposed at each Annual General Meeting of the Company. In the event that any such resolution is not passed, then the Directors will be required to bring forward proposals to liquidate, open-end or otherwise reconstruct the Company. The Directors have considered the application of the 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 16, risk management policies, detailed on pages 18 to 19, 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 3) 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 it intends to do in respect of its own beneficial shareholdings.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as Auditor and a resolution proposing their re-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 54 to 57.

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.

Global greenhouse gas emissions

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.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 11 November 2015, is set out on pages 61 to 64. Resolutions will be proposed as items of special business as set out below.

Full details of all resolutions can be found in the Notice.

(i) 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.

(ii) 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 is to empower the Directors to allot shares with an aggregate nominal value of up to £682,839, 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 would last until the earlier of the Annual General Meeting in 2016 or 11 May 2017.

For the avoidance of doubt, this authority is in addition to the authority to allot 20 million shares taken at the general meeting of the Company held on 31 July 2015 in connection with the Share Issuance Programme.

The Directors only intend to exercise this authority once the Share Issuance Programme implemented by the Company in August 2015 has closed.

(iii) 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 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 £682,839, representing approximately 10% of the Company's issued Ordinary share capital of 6,828,389 10p shares as at 17 September 2015 (being the latest practicable date prior to publication of this document).

As indicated above, the Directors only intend to exercise this authority once the Share Issuance Programme implemented by the Company in August 2015 has closed.

For the avoidance of doubt, this authority is in addition to the authority to allot 20 million shares taken at the general meeting of the Company held on 31 July 2015 in connection with the Share Issuance Programme.

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.

These authorities will last until the earlier of the Annual General Meeting in 2016 or 11 May 2017.

(iv) To authorise the Directors to purchase the Company's own Ordinary shares (Resolution 14)
The purpose of Resolution 14 is to authorise 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 net asset value per share for remaining shareholders and is in the best interests of shareholders generally.

The authority is limited to 10,235,755 Ordinary shares, representing approximately 14.99% of the Company's shares in issue as at 17 September 2015 (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 net asset value 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 agrees to buy the shares and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. 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 2016 or 14 May 2017.

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 net asset value or above to further the investment objectives of the Company.

As at 17 September 2015 (being the latest practicable date prior to publication of this document), the Company held no 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
17 September 2015

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 will be 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 February 2013, 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 the Company. 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. A copy of the UK Code can be found at www.frc.org.uk.The Company complies with the AIC Code which can be found at www.theaic.co.uk.

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 in the preamble to the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. 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.
- The Board does not believe it is necessary to have a separate Nomination Committee or Remuneration Committee due to the size and nature of the Company.

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. Brief biographical details of the Directors in office throughout the year 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 interim 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 2015 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	2	2
Sir Clive Thompson	4	4	–	–	–	–
John Cornish (retired on 14 November 2014)	2	2	1	1	1	1
Ian Dighé	4	4	2	2	2	2
Josephine Dixon (appointed on 14 July 2014)	4	3	2	1	2	1
John Hodson (retired on 10 February 2015)	3	2	2	2	1	1
Richard Locke (appointed on 10 February 2015)	2	2	1	1	1	1
Michael Phillips (retired on 14 July 2014)	–	–	–	–	–	–

In addition to the scheduled meetings, a number of further Board meetings were held during the year to consider specific matters.

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 AGM, for these purposes that AGM will not count towards the twelve.

Committees of the Board

The Board has appointed a number of committees, as set out below, 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. Each committee comprises all of the independent Directors of the Company.

Audit Committee

Miss Dixon was appointed as Chairman of the Audit Committee on 14 November 2014 following the retirement of Mr Cornish.

The Committee's main responsibilities are:

1. To review the half year and annual financial statements

In particular the Committee considers whether the financial statements are fair, balanced and understandable on behalf of the Board.

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 their work.

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

In addition the Committee review and consider the Company's statement on internal control systems included in the financial statements prior to endorsement by the Board.

3. In relation to the External Auditor:

a. To review and approve terms of the external auditor

b. Meet with external auditors to discuss the outcomes of their audit work.

c. Liaise with the auditors in respect of their planning of their work and engagement terms including fees.

d. Review Auditor independence.

e. Consider appropriateness and Terms of any auditor appointment in non-audit work.

f. Make recommendations to the Board relating to appointment, and re appointment.

4. Consider the need for an Internal Audit function

Report from the Audit Committee

The Committee met twice during the year under review. The following matters were dealt with by the Committee.

Half Year and Annual financial statements

These were reviewed in detail in line with the Committee's responsibilities and formal recommendations were made to the Board for their approval. The Committee also considered the following significant matters:

- The valuation of unquoted investment Vantage 1. The Committee reviewed and discussed the basis and reasonableness of the valuation methods;
- The calculation of management and performance fees payable to the investment manager. The Committee discussed with management and Auditors; and
- Use of the going concern principle in the preparation of accounts. The Committee considered evidence supporting this and reviewed the statement on going concern for endorsement by the Board.

Risk Management and Effectiveness of Internal Controls

- The Committee considered the appropriateness of risk matrix of the Company.
- The Committee reviewed a number of reports on the effectiveness of internal control and risk management systems of the principle service providers to the Company.
- The Committee reviewed the reports from the depository.

Following that work the Committee then recommended to the Board endorsement of the statement on internal control, included in these statements.

External Auditor

On appointment as Audit Committee Chairman, Miss Dixon met with the partner and Manager of the Audit Firm to become acquainted and discuss their role as Auditor to the Company.

The Committee reviewed the plan of the Auditor at their February 2015 meeting. They then met with the Auditor in September to discuss any matters arising from the audit of the year end and the financial statements and to review the Auditor's report.

The Committee discussed the independence and objectivity of Ernst & Young as the Auditor as they have been in place since the inception of the Company in 2005. The Committee had no grounds to question the independence or objectivity of the audit firm, their partner or management. The Committee did decide that given the forthcoming UK and European regulations that the Company to recommend that the audit be out to tender for the Audit of 2015/16.

The Committee considered the performance of the Auditor by discussing amongst themselves the appropriateness of their approach to the audit, by discussion with them in detail at the Audit Committee in September the quality of their report to the Company and from their ability to assist the Committee in questions raised. The Committee were totally satisfied with the performance of the External Auditor.

The Committee have no hesitation following this assessment in recommending Ernst and Young for re-appointment and a resolution to re- appoint Ernst & Young will be made at the AGM.

As explained above, due to the changing guidelines on Audit tenure then a tender process will be undertaken for the audit of 2015/16, the outcome of which is uncertain. This process may lead to the Audit firm changing though Ernst & Young will be invited as part of that tender. Should there be a change of Audit firm, then the Committee, on behalf of the Board wish to thank Ernst & Young for their work over the years.

Josephine Dixon
Audit Committee Chairman
17 September 2015

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 twice over the course of the year.

Remuneration Committee

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 Committee

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. No meetings were held during the year.

The Company engaged an external search consultant, Stephenson & Co., in considering the appointments of Miss Dixon and Mr Locke to the Board. Stephenson & Co. is independent of the Company and its Directors.

Performance evaluation

The Board's decision to recommend the re-election of each of the Directors (regardless of tenure) 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.

In 2015, 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.

Secretary

The Board has direct access to the advice and services of the Secretary, CSH, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The 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 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. 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 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 guidance supplied by the Financial Reporting Council's Internal Control: Guidance for Directors on the Combined Code, has been established for identifying, evaluating and managing 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 only provide 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, which has been in place for the year ended 30 June 2015 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 all Board meetings;
- the provision of administration, accounting and company secretarial duties are the responsibility of CSH. The Audit Committee reviews the internal controls report of CSH on an annual basis;
- Northern Trust Global Services Limited act as depository and custodian to the Company. The Audit Committee reviews Northern Trust'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 non-executive 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 Secretary on a regular basis.

Actions are taken to remedy any significant failings or weaknesses identified. No major control deficiencies were identified from the review.

On behalf of the Board

Richard Hills
Chairman
17 September 2015

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.

An ordinary resolution for the approval of this report will be put to the members 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 37.

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman

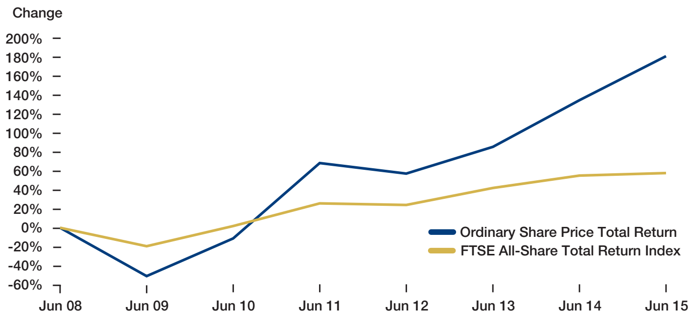
I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2015.

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.

During the year, the Board reviewed the Directors' fees in light of the increased regulatory burden and time spent by the Directors considering the affairs of the Company, comparison with investment trusts of a similar size and mandate and industry data on such matters published by Trust Associates to ensure that fees were in line with industry practice. The Board also took into consideration the level of remuneration required to attract directors with the level of skills and experience needed by the Board of the Company. As a result of this review, it was concluded that, with effect from 1 July 2015, Directors' fees be increased to the following levels of remuneration: £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.

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 qualities as no listed index directly comparable to the Company's portfolio exists.



Directors' emoluments for the year ended 30 June 2015 (audited)

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

	Year ended 30 June 2015 £	Year ended 30 June 2014 £
Richard Hills	27,613	6,290
John Cornish	12,747	23,500
Ian Dighé	20,500	19,500
Josephine Dixon	21,667	–
John Hodson	14,493	27,000
Richard Locke	7,993	–
Michael Phillips	734	19,500
Sir Clive Thompson*	20,500	19,500
Total	126,247	115,290

* 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 2015 and the preceding year:

a) the remuneration paid to Directors;

b) the cash returned to shareholders by way of dividend; and

c) the cash returned to shareholders by way of tender offer in November 2014.

	Year ended 30 June 2015 £	Year ended 30 June 2014 £	Change
Total remuneration	**126,247**	115,290	9.5%
Dividend paid	**446,000**	931,000	(52.1)%
Tender offer	**3,899,522**	3,439,000	13.4%

Directors' interests (audited)

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

	30 June 2015	30 June 2014
Richard Hills	**60,000**	30,000
John Cornish	**–**	–
Ian Dighé	**–**	–
Josephine Dixon	**10,000***	–
John Hodson	**50,000**	50,000
Richard Locke	**20,000****	–
Michael Phillips	**–**	–
Sir Clive Thompson	**2,679,102**	2,679,102

* These shares are held in the name of John Tinkler.
** 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 2015 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 current Directors' Remuneration Report and Directors' Remuneration Policy

The Directors' Remuneration Report for the year ended 30 June 2014 were approved by shareholders at the Annual General Meeting held on 14 November 2014. The votes cast by proxy were as follows:

Directors' Remuneration Report	Number of votes	% of votes cast
For	24,435,262	100
Against	0	0
At Chairman's discretion	0	0
Total votes cast	**24,435,262**	**100**
Number of votes withheld	8,014	

Directors' Remuneration Policy	Number of votes	% of votes cast
For	24,435,262	100
Against	0	0
At Chairman's discretion	0	0
Total votes cast	**24,435,262**	**100**
Number of votes withheld	8,014	

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 of 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 attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive directors.

	Expected fees for year to 30 June 2016 £	Fees for year to 30 June 2015 £
Chairman	35,000	29,500
Chairman of the Audit Committee	27,500	23,500
Non-executive Director	24,000	20,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

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.

An Ordinary Resolution for the approval of this Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. If approved by shareholders, it is intended that this policy will be effective immediately upon the passing of the resolution and will stand for 3 years. Thereafter, the Policy will next be subject to a shareholder vote at the Annual General Meeting in 2018.

Approval

The Directors' Remuneration Policy was approved by the Board of Directors on 17 September 2015 and signed on its behalf by the Chairman.

Richard Hills
Chairman
17 September 2015

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU").

Under Company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, the financial performance and cash flows of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Change in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report and Report of the Directors include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Richard Hills
Chairman
17 September 2015

Independent Auditor's report to the members of Strategic Equity Capital plc

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the Company's return for the year then ended;
- The Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the requirements of the Companies Act 2006;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the IAS regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

What we have audited

We have audited the financial statements of Strategic Equity Capital plc for the year ended 30 June 2015 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, Balance Sheet, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's report to the members of Strategic Equity Capital plc *(continued)*

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The table also includes our responses to the risks:

Risk Identified	Our Response
The investment portfolio at the year-end comprised of quoted equity investments of £119,597k and unquoted investments of £1,842k. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: Performed a walkthrough of the investment valuation process, assessing the controls in place over the valuation of the investments at year end. Reviewed the valuation of the unquoted investment, and discussed this valuation with the Manager. Agreed the inputs to the valuations to supporting documentation including the purchase agreement, the NAV statement and audited accounts. Confirmed the valuations are performed in accordance with the Company's accounting policies and the IPEVC guidelines.
Performance fees represent the Company's largest expense and the performance fee is calculated using a methodology as set out in the Management Agreement between the Company and the Manager. Incorrect calculation of these fees could have a material impact on the return generated for shareholders.	We performed the following procedures: Performed a walkthrough of the systems and controls in respect to the management and performance fee calculation. Recalculated the performance fees payable and confirmed the calculations are in line with the Investment Management Agreement. Agreed all key inputs used in the calculations and benchmarking data to an independent source. Assessed the Manager's and the Administrator's systems and controls with respect to the net asset value ("NAV") and NAV return calculations used as the basis for calculating the performance fees.

Our application of materiality

We determined planning materiality for the Company to be £1,362k (2014: £1,034k) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% (2014: 50%) of planning materiality, being £1,022k (2014: £517k). We reassessed our performance materiality threshold from 50% to 75% based on the low history of errors. Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing materiality of £29k (2014: £23k) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation.

We agreed with the Audit Committee that we would report all audit differences in excess of £68k (2014: £52k) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 21 in relation to going concern; and
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Julian Young (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
17 September 2015

Statement of comprehensive income
for the year ended 30 June 2015

	Note	Year ended 30 June 2015 Revenue return £'000	Year ended 30 June 2015 Capital return £'000	Year ended 30 June 2015 Total £'000	Year ended 30 June 2014 Revenue return £'000	Year ended 30 June 2014 Capital return £'000	Year ended 30 June 2014 Total £'000
Investments							
Gains on investments held at fair value through profit or loss	8	**–**	**26,992**	**26,992**	–	29,361	29,361
		–	**26,992**	**26,992**	–	29,361	29,361
Income							
Dividends	2	**2,142**	**223**	**2,365**	1,712	–	1,712
Interest	2	**34**	**–**	**34**	39	–	39
Total income		**2,176**	**223**	**2,399**	1,751	–	1,751
Expenses							
Investment Manager's fee	3	**(1,064)**	**–**	**(1,064)**	(859)	–	(859)
Investment Manager's performance fee	3	**–**	**(2,371)**	**(2,371)**	–	(310)	(310)
Other expenses	4	**(532)**	**(67)**	**(599)**	(432)	(108)	(540)
Total expenses		**(1,596)**	**(2,438)**	**(4,034)**	(1,291)	(418)	(1,709)
Net return before taxation		**580**	**24,777**	**25,357**	460	28,943	29,403
Taxation	5	**(5)**	**–**	**(5)**	–	–	–
Net return and total comprehensive income for the year		**575**	**24,777**	**25,352**	460	28,943	29,403
		pence	**pence**	**pence**	pence	pence	pence
Return per Ordinary share							
Basic	7	**0.99**	**42.77**	**43.76**	0.76	47.85	48.61

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 42 to 58 form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2015

	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 2015								
1 July 2014		**5,955**	**5,246**	**42,650**	**46,581**	**2,026**	**971**	**103,429**
Net return and total comprehensive income for the year		**–**	**–**	**–**	**24,777**	**–**	**575**	**25,352**
Dividends paid	6	**–**	**–**	**–**	**–**	**–**	**(446)**	**(446)**
Share Issues		**541**	**11,084**	**–**	**–**	**–**	**–**	**11,625**
Shares bought back for cancellation		**(238)**	**–**	**(3,718)**	**–**	**238**	**–**	**(3,718)**
30 June 2015		**6,258**	**16,330**	**38,932**	**71,358**	**2,264**	**1,100**	**136,242**
For the year ended 30 June 2014								
1 July 2013		6,203	5,246	46,089	17,638	1,778	1,442	78,396
Net return and total comprehensive income for the year		–	–	–	28,943	–	460	29,403
Dividends paid	6	–	–	–	–	–	(931)	(931)
Shares bought back for cancellation		(248)	–	(3,439)	–	248	–	(3,439)
30 June 2014		5,955	5,246	42,650	46,581	2,026	971	103,429

The notes on pages 42 to 58 form part of these financial statements.

Balance sheet
for the year ended 30 June 2015

	Note	30 June 2015 £'000	30 June 2014 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**121,439**	92,423
Current assets			
Trade and other receivables	10	**363**	64
Cash and cash equivalents	14	**17,312**	11,696
		17,675	11,760
Total assets		**139,114**	104,183
Current liabilities			
Trade and other payables	11	**2,872**	754
Total assets less current liabilities		**136,242**	103,429
Net assets		**136,242**	103,429
Capital and reserves:			
Share capital	12	**6,258**	5,955
Share premium account	13	**16,330**	5,246
Special reserve	13	**38,932**	42,650
Capital reserve	13	**71,358**	46,581
Capital redemption reserve	13	**2,264**	2,026
Revenue reserve	13	**1,100**	971
Total shareholders' equity		**136,242**	103,429
		pence	pence
Net asset value per share			
Basic	15	**217.69**	173.66

The financial statements were approved by the Board of Directors on 17 September 2015. They were signed on its behalf by

Richard Hills
Chairman
17 September 2015

Company Number: 05448627

The notes on pages 42 to 58 form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2015

	Note	**Year ended 30 June 2015 £'000**	Year ended 30 June 2014 £'000
Operating activities			
Net return before finance costs and taxation		**25,357**	29,403
Adjustment for gains on investments		**(26,992)**	(29,361)
Adjustment for share buy back expenses		**67**	108
Tax Irrecoverable		**(5)**	–
Operating cash flows before movements in working capital		**(1,573)**	150
(Increase)/decrease in receivables		**(27)**	201
Increase/(decrease) in payables		**2,130**	(746)
Purchases of portfolio investments		**(44,643)**	(24,123)
Sales of portfolio investments		**42,335**	32,580
Net cash flow from operating activities		**(1,778)**	8,062
Financing activities			
Dividends paid	6	**(446)**	(931)
Shares bought back in the year	13	**(3,900)**	(3,439)
Share capital issued – premium	13	**11,084**	–
Share capital re-issued – nominal	13	**182**	–
Share capital issued – nominal	12	**541**	–
Tender offer expenses		**(67)**	(108)
Net cash flow from financing activities		**7,394**	(4,478)
Increase in cash and cash equivalents for the year		**5,616**	3,584
Cash and cash equivalents at start of the year	14	**11,696**	8,112
Cash and cash equivalents at 30 June		**17,312**	11,696

The notes on pages 42 to 58 form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2015

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 2015 were authorised for issue in accordance with a resolution of the Directors on 17 September 2015.

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 (as revised in 2009) 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.

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, unlisted 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 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 ("IPEVC") 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 IPEVC 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 net of imputed tax credits. Where withholding tax is paid, the amount will be recognised in the revenue column of the Statement of comprehensive income 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. Costs incurred in relation to the tender offer process have been recognised on an accruals basis and allocated to the capital column of the Statement of comprehensive income.

Cash and cash equivalents

Cash in hand and at bank and short-term deposits 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 buybacks for capital reserve

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

Share buybacks 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.

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 IPEVC Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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 2015 and have not been applied in preparing these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date*
IFRS 7	Financial Instruments: Disclosures	1 January 2016
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2016

* Years beginning on or after

The Company applies for the first time, IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

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

	30 June 2015 £'000	30 June 2014 £'000
Income from investments:		
UK dividend income	**1,998**	1,617
Overseas dividend income	**144**	95
Liquidity fund income	**34**	39
	2,176	1,751
Total income comprises:		
Dividends	**2,142**	1,712
Interest	**34**	39
	2,176	1,751
Income from investments:		
Listed UK	**1,998**	1,617
Listed overseas	**178**	134
	2,176	1,751

3 Investment Manager's fee

	30 June 2015			30 June 2014		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Management fee	**1,064**	**–**	**1,064**	859	–	859
Performance fee	**–**	**2,371**	**2,371**	–	310	310
	1,064	**2,371**	**3,435**	859	310	1,169

A basic management fee is payable to the Investment Manager at the lower of (i) the annual rate of 1.0% of the adjusted NAV of the Company or (ii) 1.0% per annum of the market capitalisation of the Company. The basic management fee accrues weekly 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 18.

4 Other expenses

	30 June 2015			30 June 2014		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	**90**	**–**	**90**	80	–	80
Auditors' remuneration for:						
Audit services†*	**28**	**–**	**28**	27	–	27
Directors' remuneration	**126**	**–**	**126**	115	–	115
Other expenses	**288**	**67+**	**355**	210	108+	318
	532	**67**	**599**	432	108	540

† No non-audit fees were incurred during the year.
* Incorporates £4,600 VAT.
+ Expenses incurred in relation to the tender offer process.

5 Taxation

	30 June 2015			30 June 2014		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Corporation tax at 20.75% (2014: 22.5%)	**–**	**–**	**–**	–	–	–
Overseas dividend withholding tax*	**5**	**–**	**5**	–	–	–
	5	**–**	**5**	–	–	–

The Company is subject to corporation tax at 20.75%. As at 30 June 2015 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK (22.5%). The differences are explained below:

* IFG Group withholding tax paid £5,460.

5 Taxation *(continued)*

	30 June 2015			30 June 2014		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**580**	**24,777**	**25,357**	460	28,943	29,403
Theoretical tax at UK corporation tax rate of 20.75% (2014: 22.5%)	**120**	**5,141**	**5,261**	104	6,512	6,616
Effects of:						
– UK dividends that are not taxable	**(415)**	**(46)**	**(461)**	(364)	–	(364)
– Overseas dividends that are not taxable	**(30)**	**–**	**(30)**	(21)	–	(21)
– Unrelieved expenses	**321**	**492**	**813**	281	69	350
– Overseas dividend withholding tax	**5**	**–**	**5**	–	–	–
– Non-taxable investment gains	**–**	**(5,601)**	**(5,601)**	–	(6,606)	(6,606)
– Disallowable expenses	**4**	**14**	**18**	–	25	25
	5	**–**	**5**	–	–	–

Factors that may affect future tax charges

The Company has £14,178,000 excess management expenses (2014: £10,259,000) that are available to offset future taxable revenue. It is considered too uncertain that there will be sufficient future taxable profits against which these expenses can be offset and therefore, in accordance with IAS 12. Based on an apportioned tax rate of 20.75%, a deferred tax asset of £2,836,000 (2014: £2,154,000) in respect of these amounts has not been recognised.

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 2015 £'000	30 June 2014 £'000
Net revenue return after taxation per Company accounts	**575**	460
Final dividend proposed of 0.78p (2014: 0.78p) per share	**(488)**	(446)
Revenue retained for Section 1159 purposes	**87**	14

The following dividends were declared and paid by the Company:

	30 June 2015 £'000	30 June 2014 £'000
Final dividend: 0.78p per share (2014: 1.50p)	**446**	931

7 Return per Ordinary share

	30 June 2015			30 June 2014		
	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	**25,352**	**57,935,809**	**43.76**	29,403	60,482,751	48.61
Revenue Return per share	**575**	**57,935,809**	**0.99**	460	60,482,751	0.76
Capital Return per share	**24,777**	**57,935,809**	**42.77**	28,943	60,482,751	47.85

8 Investments

	30 June 2015 £'000	30 June 2014 £'000
Investment portfolio summary		
Listed investments at fair value through profit or loss	**119,597**	90,522
Unlisted investments at fair value through profit or loss	**1,842**	1,901
	121,439	92,423

	Listed £'000	Unlisted £'000	30 June 2015 Total £'000
Analysis of investment portfolio movements			
Opening book cost	**54,552**	**213**	**54,765**
Opening investment holding gains	**35,970**	**1,688**	**37,658**
Opening valuation	**90,522**	**1,901**	**92,423**
Movements in the year:			
Purchases at cost	**44,631**	**–**	**44,631**
Sales – proceeds	**(42,049)**	**(567)**	**(42,616)**
– realised gains on sales	**15,237**	**516**	**15,753**
Increase/(decrease) in unrealised appreciation	**11,256**	**(8)**	**11,248**
Closing valuation	**119,597**	**1,842**	**121,439**
Closing book cost	**72,371**	**163**	**72,534**
Closing investment holding gains	**47,226**	**1,679**	**48,905**
	119,597	**1,842**	**121,439**

A list of the top 10 portfolio holdings by their aggregate market values is given in the Investment Manager's report on page 10. Transaction costs incidental to the acquisitions of investments totalled £183,000 (2014: £107,000) and disposals of investments totalled £49,000 (2014: £53,000) respectively for the year.

	30 June 2015 £'000	30 June 2014 £'000
Analysis of capital gains		
Gains on sale of investments	**15,753**	15,820
Foreign exchange gains on purchase of investments	**15**	15
Foreign exchange losses on settlement at bank	**(24)**	(5)
Movement in investment holding gains	**11,248**	13,531
	26,992	29,361

8 Investments *(continued)*

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.

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 IPEVC Valuation Guidelines.

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 2015.

Financial instruments at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2015				
Equity investments and limited partnership interests	**119,597**	**–**	**1,842**	**121,439**
Liquidity funds	**–**	**16,946**	**–**	**16,946**
Total	**119,597**	**16,946**	**1,842**	**138,385**
30 June 2014				
Equity investments and limited partnership interests	90,522	–	1,901	92,423
Liquidity funds	–	7,707	–	7,707
Total	90,522	7,707	1,901	100,130

There were no transfers between levels for the year ended 30 June 2015 (2014: none).

8 Investments *(continued)*

The following table presents the movement in level 3 instruments for the year ended 30 June 2015 by class of financial instrument.

	Total equity investments £'000
Opening balance	1,901
Disposals during the year	(51)
Total gain for the year included in the Statement of comprehensive income	(8)
Closing balance	1,842

9 Significant interests

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

Name of investment	**Class of Share**	**30 June 2015 Percentage held**
Goals Soccer	Ordinary	**7.50**
Servelec Group	Ordinary	**6.58**
Wilmington Group	Ordinary	**5.17**
OMG	Ordinary	**4.64**
Gooch & Housego	Ordinary	**4.05**
Tribal Group	Ordinary	**3.83**
IFG Group	Ordinary	**3.81**

10 Trade and other receivables

	30 June 2015 £'000	30 June 2014 £'000
UK dividends receivable	**72**	22
Amount due from brokers	**272**	–
Overseas dividends receivable	**9**	25
Accrued income	**–**	3
Other receivables and prepayments	**10**	14
	363	64

11 Trade and other payables

	30 June 2015 £'000	30 June 2014 £'000
Amounts due to brokers for settlement of trades	**93**	105
Investment Manager's performance fee	**2,371**	310
Other payables and accruals	**408**	339
	2,872	754

12 Nominal share capital

	Number	**£'000**
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2014	**59,558,111**	5,955
Share buy backs	**(2,382,098)**	(238)
Share buy backs to treasury	**(109,722)**	(11)
Issued Shares	**5,407,878**	541
Issued Shares from treasury	**109,722**	11
At 30 June 2015	**62,583,891**	6,258

During the year to 30 June 2015, 109,722 shares were repurchased by the Company and subsequently resold in the market. At 30 June 2015, nil shares were held at treasury (30 June 2014 : nil).

13 Reserves

For the year ended 30 June 2015	**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	**5,246**	**42,650**	**8,924**	**37,657**	**2,026**	**971**
Net gain on realisation of investments	–	–	**15,753**	–	–	–
Foreign exchange losses on settlement	–	–	**(8)**	–	–	–
Increase in unrealised appreciation	–	–	–	**11,247**	–	–
Tender Offer expenses	–	–	**(67)**	–	–	–
Share issues	**11,084**	**182**	–	–	–	–
Shares bought back for cancellation	–	**(3,900)**	–	–	**238**	–
Capital dividend	–	–	**223**	–	–	–
Investment Manager's performance fee	–	–	**(2,371)**	–	–	–
Retained net revenue for the year	–	–	–	–	–	**575**
Dividends paid	–	–	–	–	–	**(446)**
As at 30 June 2015	**16,330**	**38,932**	**22,454**	**48,904**	**2,264**	**1,100**

13 Reserves *(continued)*

For the year ended 30 June 2014	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	5,246	46,089	(6,488)	24,126	1,778	1,442
Net gain on realisation of investments	–	–	15,835	–	–	–
Foreign exchange gains	–	–	(5)	–	–	–
Increase in unrealised appreciation	–	–	–	13,531	–	–
Share buy back expenses	–	–	(108)	–	–	–
Shares bought back for cancellation	–	(3,439)	–	–	248	–
Investment Manager's performance fee	–	–	(310)	–	–	–
Retained net revenue for the year	–	–	–	–	–	460
Dividends paid	–	–	–	–	–	(931)
As at 30 June 2014	5,246	42,650	8,924	37,657	2,026	971

14 Reconciliation of net cash flow to net funds

	30 June 2015 £'000	30 June 2014 £'000
Opening net funds	**11,696**	8,112
Increase in cash and cash equivalents in year	**5,616**	3,584
Closing net funds	**17,312**	11,696

	At 30 June 2014 £'000	Net cash flow £'000	**At 30 June 2015 £'000**
Cash at bank	3,989	(3,623)	**366**
Liquidity funds	7,707	9,239	**16,946**
	11,696	5,616	**17,312**

15 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £136,242,000 (2014: £103,429,000) and on 62,583,891 (2014: 59,558,111) 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 (2014: €1,560,000) in Vintage 1, details of which are given in the Investment Management Report on page 12.

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 The Northern Trust Company, 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 2015 the Company had £16,946,000 (2014: £7,707,000) invested in such funds. The maximum exposure to credit risk is £17,675,000 (2014: £11,760,000). There are no assets past due or impaired (2014: 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 2015 valuation (2014: 20%), with all other variables held constant, there would have been a reduction of £24,288,000 (2014: £18,485,000) 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 2015 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 2015 (2014: 0.5%), it would have the effect, with all other variables held constant, of reducing the net return after taxation and equity by £62,000 (2014: £39,000). 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 average cash at bank and liquidity funds for the year ending 30 June 2015 and these may not be 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 (2014: 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 2015 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Listed investments	**119,597**	**119,597**	**–**
Liquidity funds	**16,946**	**–**	**16,946**
Cash	**366**	**–**	**366**
Receivables*	**353**	**353**	**–**
	137,262	**119,950**	**17,312**
Euros			
Unlisted investments	**1,842**	**1,842**	**–**
	1,842	**1,842**	**–**
Total	**139,104**	**121,792**	**17,312**

* 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 2014 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Listed investments	90,522	90,522	–
Liquidity funds	7,707	–	7,707
Cash	3,989	–	3,989
Receivables*	50	50	–
	102,268	90,572	11,696
Euros			
Unlisted investments	1,901	1,901	–
	1,901	1,901	–
Total	104,169	92,473	11,696

* 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 2015 was:

	Total £'000	**No interest rate risk financial assets £'000**
Sterling		
Creditors	**2,872**	**2,872**

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 2014 was:

	Total £'000	No interest rate risk financial assets £'000
Sterling		
Creditors	754	754

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 Plc), 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 13.69% between a low of 1.2449 on 9 September 2014 and a high of 1.4154 on 11 March 2015, before closing at 1.4103 on 30 June 2015 (2014: 1.24885).

If the Sterling/Euro exchange rate had decreased by 15% from that obtained at 30 June 2015 (2014: 15%), it would have the effect, with all other variables held constant, of increasing net profit and equity shareholders' funds by £1,279,000 (2014: £336,000). An increase of 15% (2014: 15%) would have decreased net profit and equity shareholders' funds by £945,554 (2014: £248,000). The calculations are based on the value of the investment in Vintage 1 and IFG Group PLC as at 30 june 2015 and this may not be representative of the year as a whole. The balance exposed to foreign currency risk is £7,249,244 (2014: £1,901,000).

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 (2014: 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 45. The amount due to the Investment Manager for management fees at 30 June 2015 was £309,000 (30 June 2014: £232,000). The amount due to the Investment Manager for performance fees at 30 June 2015 was £2,371,000 (30 June 2014: £310,000).

During the year, the Investment Manager cancelled Commission Sharing Agreements and it does not intend to enter into any in future.

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.

19 Post balance sheet event

Following the year-end, the Company engaged in a Share Issuance Programme to issue 20 million shares. As at the date of this report 5,300,000 ordinary shares had been issued by the Company.

AIFMD Disclosures

The Company's AIFM is GVQ Investment Management Limited.

The AIFMD required certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report to each AIF. Those disclosures that are required to be made pre-investment are included within the investor prospectus which can be found on the company's website http://www.strategicequitycapital.com/secapital/en/home.

All authorised AIFMS are required to comply with the AIFMD Remuneration Code. The FCA's General Guidance on the AIFM Remuneration Code has established that the first full performance year will not commence until 1 January 2015. Accordingly there is no data to disclose in respect of the remuneration of the AIFM for this year.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated under the Gross and Commitment Methods, in accordance with AIFMD. Under the Gross Method, exposure represents the sum of the Company's positions without taking account of netting or hedging arrangements. Under the Commitment Method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at the 30 June 2015. This gives the following figures:

Leverage Exposure	Gross Method	Commitment Method
Maximum limit	Nil	Nil
Actual Limit	Nil	Nil

Corporate Information

Investment Manager
GVQ Investment Management Limited
12–13 St. James's Place
London SW1A 1NX
Tel: 020 3824 4500

Secretary and registered office
Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500

Registrar
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: 0870 707 1285
Website: www.computershare.com

Broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Depositary
Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

An investment company as defined under Section 833 of the Companies Act 2006.
REGISTERED IN ENGLAND 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 what action you should take you are recommended to take appropriate independent advice.

Notice is hereby given that the Annual General Meeting of Strategic Equity Capital plc will be held at the offices of Canaccord Genuity Limited, 41 Lothbury, London EC2R 7AE at 11.30 am on 11 November 2015 for the following purposes:

Ordinary Business

1. To receive and adopt the audited Financial Statements for the year ended 30 June 2015, together with the Strategic Report and Reports of the Directors and Auditor thereon.
2. To declare a final dividend of 0.78p per Ordinary share.
3. To receive and approve the Directors' remuneration report.
4. To receive and approve the Directors' remuneration policy.
5. To re-elect Richard Hills as a Director.
6. To re-elect Josephine Dixon as a Director.
7. To re-elect Sir Clive Thompson as a Director.
8. To elect Richard Locke as a Director.
9. To re-appoint Ernst & Young 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 Ernst & Young 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 £682,839, 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 11 May 2017 (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 £682,839,

    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 11 May 2017, 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 10,235,755 Ordinary Shares (being 14.99% of the Company's issued ordinary share capital at 17 September 2015 (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) the higher of: (i) the last independent trade and (ii) the highest current independent bid for, any number of Ordinary Shares on the London Stock Exchange at the time the purchase is carried out.

    This authority shall continue for the period ending on the earlier of: (i) the date of the next Annual General Meeting of the Company after the passing of this resolution; and (ii) 11 May 2017 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:
Beaufort House
51 New North Road
Exeter EX4 4EP

By Order of the Board
Capita Sinclair Henderson Limited
Secretary
17 September 2015

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 9 November 2015 (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 16 September 2015 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to [68,283,891] Ordinary shares carrying one vote each and the total number of voting rights was 68,283,891.

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

Registered Office:
Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel +44 (0)1392 477500
Fax +44 (0)1392 253282

www.strategicequitycapital.com