STRATEGIC EQUITY CAPITAL PLC

REPORT & FINANCIAL STATEMENTS

for the year ended 30 June 2020

Investment Objective

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

The Company's investment policy can be found on page 13.

Investment Manager

Since 1857
Gresham House
Specialist asset management

On 21 May 2020 Gresham House took over as investment manager from GVQ.

Gresham House is a specialist alternative asset management group, dedicated to sustainable investments across a range of strategies, with expertise across forestry, housing, infrastructure, renewable energy and battery storage, public and private equity.

Their origins stretch back to 1857, while their focus is on the future and the long term. Quoted on the London Stock Exchange (GHE:LN) Gresham House actively manage c.£3.3bn of assets on behalf of institutions, family offices, charities and endowments, private individuals and their advisers. They act responsibly within a culture of empowerment that encourages individual flair and entrepreneurial thinking.

As a signatory to the UN-supported Principles for Responsible Investment (PRI), their vision is to always make a positive social or environmental impact, while delivering on their commitments to shareholders, employees and investors.

Within their Strategic Equity division their investment philosophy applies a private equity approach to investing in both public and private companies. Through rigorous due diligence, their team aims to achieve superior returns for long-term investors, and they share a fundamentals-based, high-conviction approach to finding and investing in opportunities in both public and private equity markets. The investment team is highly experienced in this strategy with a track record stretching back over 20 years.

A more detailed explanation of the Investment Strategy 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	October
Annual General Meeting	November
Company's half-year	31 December
Half yearly results announced	February

Share price

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

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

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

Net Asset Value

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 2020	At 30 June 2019	% change
Capital return			
Net asset value ("NAV") per Ordinary share†	**239.74p**	265.12p	(9.6)%
Ordinary share price	**195.75p**	229.50p	(14.7)%
Discount[1] of Ordinary share price to NAV	**(18.3)%**	(13.4)%	
Average discount of Ordinary share price to NAV for the year[1]	**(16.6)%**	(15.2)%	
Total assets (£'000)	**152,114**	172,443	(11.8)%
Equity Shareholders' funds (£'000)	**151,747**	169,037	(10.2)%
Ordinary shares in issue with voting rights	**63,296,844**	63,759,589	(0.7)%

	Year ended 30 June 2020	Year ended 30 June 2019
Performance		
NAV total return for the year[1]	**(9.1)%**	2.2%
Share price total return for the year[1]	**(13.8)%**	4.8%
Ongoing charges[1]	**1.11%**	1.10%
Ongoing charges (including performance fee)[1]	**1.11%**	1.39%
Revenue return per Ordinary share	**0.38p**	2.11p
Dividend yield[1]	**0.6%**	0.7%
Proposed final dividend for the year	**1.25p**	1.50p

Year's Highs/Lows	**High**	**Low**
NAV per Ordinary share	297.3p	185.9p
Ordinary share price	259.0p	140.5p

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

Alternative Performance Measures

[1] *Please refer to pages 58 and 59 for definitions and a reconciliation of the Alternative Performance Measures to the year-end results.*

Directors

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

Richard Hills (Chairman) – Independent Director

Mr Hills has substantial experience of the investment management industry and has held senior executive and non-executive positions within the fields of both conventional and alternative assets. He is currently a board member of Henderson International Income Trust plc and EQT Services (UK) Limited. Mr Hills was appointed to the Board on 5 March 2014.

William Barlow – Independent Director

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

Josephine Dixon – Independent Director

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

Richard Locke (Deputy Chairman) – Independent Director

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

David Morrison – Independent Director

Mr Morrison is chairman of Maris Limited, a privately-owned industrial holding company active predominately in East Africa, and was non-executive chairman of Be Heard Group plc until the beginning of September. Having spent the majority of his career in venture capital, he has been an investor and director of several private and public companies including Record plc and Paypoint plc. Mr Morrison was appointed to the Board on 1 February 2019.

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

It is hard to envisage a more extraordinary year in this Company's history. The effects of Covid-19 have been pronounced and far-reaching, on an international, national and portfolio level. Decisive steps had already been taken by the Board before the onset of the pandemic to strengthen the Company's portfolio management with the appointment of a new investment manager, Gresham House Asset Management Limited ("GHAM"). However, in a direct response to the protracted effects of the pandemic, more stock specific action is also anticipated.

Covid-19

If not only as an historic record it would seem remiss not to comment first on the major and quite exceptional event of the year.

In March, the FTSE All-Share Index experienced its sharpest four-week fall since November 1987, as the Covid-19 pandemic spread and panic set in. As time has passed, we are beginning to understand the damage this virus has wrought, not only on the global economy but also on society as a whole.

It is astonishing how quickly we have all adapted to a new way of life. However, whether it is an acceptable way to continue to live our lives is another matter. Einstein noted that one of his greatest fears was that, over time, technology would develop to a point where face-to-face human interaction was no longer necessary. We seem to have got to this point in a rapid and most unexpected way with the help of the internet and the cloud providing us with video conferencing, online shopping and even a virtual visit to the local doctors' surgery, in a manner not thought possible just 6 months ago.

The response in the economy and stock market has been an explosion in the growth and share prices of many of the major global technology companies, particularly in the US. In a blink we have cut out many steps in the path to the new age economy and, although it is too early to be sure, it is unlikely that we shall ever go back fully to where we were. New practices such as working from home, at least for part of the time, will become the norm.

The challenge to our investment team is to identify companies that can benefit from the changes that Covid-19 has brought from those that cannot. Our strategic public equity approach means that we can also assist our portfolio companies in taking advantage of the changed economic landscape where a more traditional approach cannot.

Performance

Over the financial year ending 30 June 2020, the Company's NAV per share (on a total return basis) decreased by 9.1%. The FTSE Small Cap ex Investment Trusts Total Return Index ("FTSE Small Cap Index") decreased by 12.3%. Across the same period, the share price of the Company fell by 13.8% on a total return basis.

Discount Management

Despite this strong relative NAV performance, the Company's shares traded at a stubbornly wide discount to NAV which, at least in part, was due to the fact that the UK smaller companies sector remained unloved.

The discount was also more volatile than in previous years, even before the events of March. The average discount to NAV of the Company's shares over the past twelve months was 16.6%, compared to the equivalent figure of 15.2% for the prior year. The discount ranged from 11.8% to 27.1% at the height of the sell-off in March.

The Board believes that performance is the key factor to reduce the persistent discount to NAV at which the Company's shares trade: if performance can be improved the discount will narrow. The Company has a new manager (GHAM) and a new lead portfolio manager (Ken Wotton, with Adam Khanbhai as co-manager).The Board believes that these changes will lead to improved performance over the coming years, with the Company benefitting from GHAM's depth of resource, experience of strategic public equity investing, and the strong performance track record of the GHAM team using this approach over the past 20 years. Notwithstanding this, the Board continues to monitor closely the discount to NAV at which the Company's shares trade. During the year the Company acquired 462,745 shares at an average 15.3% discount to NAV.

Dividend

For the year ended 30 June 2020 the basic revenue return per share was 0.38p (2019: 2.11p). The net decline of over 80% is mainly a result of dividend cuts and suspensions that were announced by many investee companies, largely in March and April, as a result of Covid-19. As a consequence of this fall in earnings, the portfolio has failed to match last year's investment income and insufficient earnings remain after expenses and costs to pay a covered dividend at last year's level. Of course, investment trusts have the ability to pay dividends, drawing in part or whole, from their revenue reserves. This can help smooth changes in dividend payments particularly in difficult years.

Chairman's Statement *(continued)*

Although the Company's objective is to achieve absolute returns principally through capital growth, the Board acknowledges that in the current climate of widespread dividend cuts, anything that it can do to help support the Company's dividend is likely to be well received by shareholders. After due consideration and given the size of our existing revenue reserves, the Board has decided to propose a dividend amounting to the average paid during the last two years.

Accordingly, the Board is proposing a final dividend of 1.25p per share for the year ending 30 June 2020 (2019: 1.5p per share, 2018: 1.0p per share), payable on 18 November 2020 to shareholders on the register as at 16 October 2020. Following this distribution, the Company will have revenue reserves of £1,042,789 (equivalent to 1.65p per share).

Development of the Company

As announced in March, following a major strategic review of the Company's management arrangements conducted with the help of our brokers, Investec Bank Plc, the Board appointed GHAM as investment manager and AIFM. Jeff Harris and Adam Khanbhai, the Company's portfolio managers at GVQIM, joined GHAM as part of the transaction.

GHAM assumed responsibility for the Company's portfolio and became the Company's AIFM on 21 May. Since the end of May, the GHAM Investment Committee (comprising, amongst others Tony Dalwood and Ken Wotton) together with Jeff and Adam have conducted a thorough review of the Company's portfolio with particular emphasis on the impact of the changing backdrop posed by Covid-19. Ken Wotton heads the Public Equity investment team at GHAM and also manages the top quartile LF Gresham House UK Micro Cap Fund and the LF Gresham House UK Multi Cap Income Fund. Prior to joining GHAM Ken had, for 11 years, led the public equity investment team at the mid-market, UK private equity firm Livingbridge.

Following the review of the Company's portfolio, Ken has been appointed as lead manager to the Company and will work alongside Adam Khanbhai. The Board has been impressed with Ken's extensive knowledge of the companies held in the portfolio and his ideas of where we should be heading. Although changes to the portfolio are anticipated, in these uncertain times we expect this to be an evolution over time rather than a wholesale restructuring.

Jeff Harris has left GHAM to pursue new opportunities. The Board are extremely grateful to Jeff for his contribution to SEC over the years and wish him every success in his next venture.

Whilst, as recently announced by Gresham House plc ("Gresham House"), the joint venture that had been proposed between Aberdeen Standard Investments ("ASI") and Gresham House will no longer take place, GHAM is expected shortly to enter into a distribution and marketing agreement with ASI pursuant to which ASI will provide certain marketing and distribution services to the Company.

Meanwhile Gresham House has confirmed its commitment to purchase shares in the Company as previously agreed, and the first purchases have already been made with more to follow over the coming months.

The Company's investment process remains unchanged following the appointment of GHAM and Ken. However, the team is now much better resourced benefiting from a substantial increase in resource and access to an enhanced and powerful network of skilled professionals that underpins idea generation, investment evaluation, due diligence and risk management.

Despite all the challenges caused to working practices by Covid-19 as well as to the stock market, the transition of the management arrangements to Gresham House has been smooth and I am pleased to report that all operational areas of the Company have continued to function well.

The Board

There has been no change to the Board of Directors during the year.

Gearing and Cash Management

The Company has maintained its policy of operating without a banking loan facility. The Board in conjunction with the Investment Manager periodically reviews this policy. The Board, together with the Investment Manager, has a conservative approach to gearing because of the concentrated nature of the portfolio. No gearing has been in place at any point during the period. Cash balances are generally maintained to take advantage of suitable investment opportunities as they arise.

Annual General Meeting

This year's AGM will be held on Wednesday, 11 November 2020. Owing to the restrictions imposed by the UK Government because of Covid-19, this year's AGM will follow an unusual format, as Shareholders will not be permitted to be present. Attendance will be limited to the minimum number of Directors and officers sufficient to form a quorum. Shareholders are strongly encouraged to vote by proxy and to ask any questions in advance (by email to the Company Secretary at cosec@patplc.co.uk). The Company or its Investment Manager will then reply to each question as appropriate.

Outlook

With such uncertainty around, both economically and politically, forecasts are not currently worth much. The result of the US presidential election in November will have some effect on the longer term geopolitical situation, but in the short-term Covid-19 seems a far more important issue to contend with. Meanwhile, by November Brexit negotiations should have reached a major conclusion with the possibility of a hard Brexit remaining.

The Covid-19 pandemic and the issue of how to deal with it raise many economic, social and moral issues. As time goes on and if the situation is not brought under control, the impact on the global economy could have deep and long-term repercussions, which may result in a political shift of opinion unimaginable just 6 months ago. The arrival of a vaccine must be the hoped for panacea but the longer it takes to arrive, the longer it will take to reverse the damage caused by the virus, if indeed it can be fully reversed.

The Investment Manager's review of our portfolio has already highlighted how the Covid-19 crisis has impacted companies across the economy in varying ways, some positively but most negatively. Despite the challenging backdrop, the Directors and Investment Manager believe that many opportunities exist for successful investment, especially where the Manager can stimulate change at portfolio companies.

Recovery will not follow a straight line. Hope and despair will undoubtedly influence the mood of the stock market, as they always have. However, we are confident that our investment team, with its considerable support, will be able to weather the storm. The fundamental portfolio review led by Ken Wotton has already shone a torch, in a highly objective manner, on each of our holdings. We are confident that this approach will, over time, lead to the creation of a portfolio of holdings each capable of dealing well with the future and where the engagement of the investment manager can create additional value.

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

Richard Hills
Chairman
30 September 2020

Investment Manager's Report

Investment Strategy

Our strategy is to invest in publicly quoted companies which we believe will increase their value through strategic, operational or management initiatives based on a private equity approach to quoted companies. We follow a practice of constructive corporate engagement and aim to work with management teams in order to enhance shareholder value. We attempt to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters.

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 and the potential value of the company to trade or financial buyers. The outputs of this approach deliver investments with the following characterisations; mispriced cash flow, strategic value and strategic change.

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.

The track record of this approach from the Gresham House team has the potential to generate favourable risk adjusted returns for shareholders over the long term.

Market Background

Peak to trough, the index declined 43% over the course of the period, reminiscent of the 47% move in 2008/9. A lot has been said about the last twelve months being one of 'two halves', pre and post pandemic, with some truth in that assertion. The first part of the period saw an uptick in markets following the convincing outcome of the UK General Election and more certainty delivered over the Brexit negotiations. However, the last week of February saw a sharp and precipitous decline in financial markets the world over as countries deal with the Covid-19 pandemic. Much has been said and written about this event. It is of course unprecedented in nature and has had a near-term impact on financial markets and everyone's lives. One datapoint to illustrate its direct effect, is the aggregate decline in Small Cap earnings for FY20, which, Liberum estimate will decline in aggregate over 50%. It is very likely that there will be long lasting economic and social ramifications. Against this backdrop, the FTSE Smaller Companies ex-Investment Trust Index ("the index") fell 12.3% on a total return basis over the past twelve months.

Performance Review

Whilst 2020 started positively for the portfolio with the net asset value ("NAV") and share price reaching all-time highs in January, over the twelve months to the end of June the NAV declined by 9.1% in total return terms. Whilst this builds on the Trust's record of relative capital preservation, a decline in NAV is always disappointing and, in our view, belies strategic progress being made by portfolio companies prior to the pandemic.

Given the severe shock to the markets experienced since March, various companies saw their share prices fall in the second half of the year detracting from the NAV. Equiniti, a larger holding, was impacted by the cut in base rates and seizure of capital markets activity. Holdings such as Wilmington, Hostelworld and Tribal saw disruption given shutdowns and the consequent impact on face to face events, travel and education attendance. On the positive side, and following strong historical performance, the share price of Ergomed increased a further 85% following strong trading. Huntsworth, a new investment in the period, was subsequently acquired at a premium by a private-equity buyer. There was also strong performance from Alliance Pharma and Strix, two defensive businesses with undervalued cash flows.

Portfolio Review

The portfolio remained highly focused with a total of 20 holdings and the top 10 accounted for 68% of the NAV at the end of the financial period. 9% of the NAV was held in cash and cash equivalents at the year end.

Over the course of the year, the positions in Eckoh, Oxford Metrics, EMIS, Dialight and Huntsworth were exited. The investments delivered IRRs of 47%, 34%, 15%, -41% and 76% respectively. The first three were sold on valuation grounds, Dialight saw a thesis violation and Huntsworth was taken private at an attractive share price premium by Clayton, Dubilier & Rice.

Changes in sector weightings have seen exposure to Healthcare increase from 22.5% to 34.7% following strong performances from Ergomed and Clinigen. Technology has reduced from 16.8% to 7.8% following some realisations. Financial Services has increased from 19.2% to 23.8% with other holdings primarily across the Media, Industrials and Financials sectors.

Top 10 Investee Company Review
(as at 30 June 2020)

Clinigen

Description

Is a speciality pharmaceutical and services company, its primary activities 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 grew rapidly post listing in 2012, both organically and through targeted acquisitions. Over the course of our investment, the company has undertaken investment to deliver an international platform of services across the patient and drug life-cycle and delivered strong shareholder returns.

Thesis

The company operates in an area of structural growth and is not exposed to the economic cycle as demonstrated by recent (and historical) trading. It is estimated that 80% of the world's population continues to have limited or no access to the right medicines, at a time when physician and patient knowledge and requirement for appropriate medicines is enhancing. Clinigen established an ethical and commercial market for unlicensed medicines around 10 years ago and is a market leader in this space.

Developments in the period

More recently, cash flow has been depressed through M&A and further investment in Proleukin, a mature product currently being investigated in a number of clinical trials. Following a sharp de-rating around the onset of the Covid-19 pandemic, the holding was increased given the relative resilience of its business, the valuation at the bottom of its listed range and the opportunity to de-gear the balance sheet transferring value to equity holders over the long term.

Equiniti

Description

Is a business services company providing administration, processing payments services and technology products typically to large publicly listed companies in the UK and US. It is one of the three main share registrars for UK quoted companies. It administers company benefits schemes and share savings schemes. It also provides software and services to help manage the administration of company and public sector pension funds. Following a buyout by Advent the company added to its product and service capability through a number of targeted acquisitions.

Thesis

The business has a strong combination of stable, long-term, non-discretionary corporate services alongside offering proprietary technology-based solutions to growing regulatory requirements. This enables the business to generate strong underlying margins and cash flows. The company has entrenched leading market positions in the UK and now the US with the potential to create strategic value. Following a period of investment and headwinds to the business, the company has potential to re-rate or, if value is not recognised on the public market, to become a takeover target.

Developments in the period

Cash flow has been depressed by the integration of the US business and more recently reductions in interest rates and weak end markets. Whilst entering 2020, the company appeared well set to continue the improved cash generation from the end of 2019, the cut in base rates and collapse of capital markets has had a deleterious impact on the company. These challenges have been navigated without the need for external support and while maintaining a strong customer and market position.

Tyman

Description

Is a leading international supplier of engineered components to the door and window industry in the new build and repair and maintenance (RMI) markets. Around two-thirds of its profits are from North America.

Thesis

The company has, through organic and inorganic investment, increased its market leadership, strengthened the product proposition and delivered strong historic returns on investment. The company has the potential to replicate its North American manufacturing template to its operations in Europe and the Rest of the World to achieve material efficiencies, and is well placed to benefit from a recovery of U.S. single family housing activity to long term historical levels. As a result of market concerns around the cyclicality of the business and balance sheet leverage the shares currently trade at depressed levels relative to history. The new management must demonstrate a return to consistent organic growth to unlock the potential value of the business.

Investment Manager's Report *(continued)*

Developments in the period
The early part of the period started poorly with new management announcing operational issues in North America. Subsequently, the company has improved service delivery and navigated the challenges posed by Covid-19 well, managing to maintain strong customer service and has continued to bring gearing levels down through strong cost discipline and cash performance.

Ergomed

Description
Is a pharmaceutical services company. The company operates across 55 countries and has provided and managed clinical development, trial management and pharmacovigilance services for over 100 clients across the pharmaceuticals industry.

Thesis
Our investment in 2018 was premised on strategic change; the company ceasing co-development activities which delivered no return on investment, and encouraging the company to divest of its clinical research services and pharmacovigilance divisions which we believed to be valuable strategic assets in high growth niches of the healthcare space.

Developments in the period
Over the past 18 months, the company has significantly strengthened its management team and board of directors and a clearer focus on its core competences has yielded impressive results. The company believes there is additional value to be created through further integrating the two divisions and taking share in the global CRO market. We have materially reduced our position at a significant profit but retain a holding in what we believe is a highly strategic asset in a long term structurally growing market.

Medica

Description
Is the leading provider of teleradiology services in the UK, providing outsourced interpretation and reporting of MRI, CT and plain film X-ray images, primarily to the NHS hospital radiology departments. This includes both out-of-hours (aka 'Nighthawk') and routine reporting. Formerly owned by Close Brothers Private Equity, following a 2013 buyout the company listed on the London Stock Exchange in 2017.

Thesis
The demand for radiology services in the UK is growing rapidly driven by the increasing sophistication and clinical application of medical imaging, compounded by an ageing population with increasing incidence of chronic conditions and cancer that require ongoing monitoring. The NHS struggles to meet this demand internally due to a severe (and long term) shortage of qualified radiologists. Medica's technology platform and roster of over 400 consultant radiologists addresses this issue safely and economically, enabling the company to deliver consistently high (double digit) levels of growth. Although the company has delivered a strong financial performance since IPO, growing revenues over 60% between 2016 and 2019, this has not been reflected in the progression of the share price. We believe the combination of this high growth, long term customer relationships and a high margin, low capital operating model is highly valuable and underappreciated by the market.

Developments in the period
A new, high quality CEO and CFO were appointed early in the period, a development we view very favourably and which coincides with a number of positive strategic developments. These include establishing a presence in Australia and initiating investment in technology to increase the efficiency and flexibility of the company's reporting platform; both of which will increase the strategic value of the company in our view. Later in the period Covid-19 related disruption to NHS hospitals led to reduced emergency admissions and clinical procedures. This has had a material impact on trading in the short term, however the company has taken this opportunity to strengthen relationships with its NHS customers. The company has a strong net cash balance sheet and is very well positioned to benefit as healthcare activity in the UK returns to more normalised levels.

Tribal

Description
Is a global provider of products and services to the international education, training and learning markets. Today, the company focuses its activities on student records and administration systems and quality review inspection services.

Thesis

Tribal is a strategically valuable and high-quality asset, albeit one in a relatively mature market. The company is executing well on a strategy to reduce its overheads and develop its next generation cloud-based software platform, Tribal Edge which will enable the business to capitalise on its leading positions in the UK, Australian and NZ markets. The benefits from these initiatives are yet to be fully reflected in its financial metrics, and will further increase its potential value to a strategic acquirer. Given the recurring nature of its revenues, its high-quality long-term customer base and market leading position we believe the company should generate higher margins and warrant a substantially higher rating than it does today.

Developments in the period

The business traded well through the latter half of 2019 with notable wins in Australia and the Middle East. A contract dispute with a licensing partner was also concluded in early 2020, which whilst costing the firm almost £9m, does provide certainty and remove what had been an anchor to the share price over the preceding 12+ months. Given the disruption to the education sector caused by Covid-19 the business has been reassuringly resilient, with relatively modest downgrades predominately due to delays in some service contracts. Recent updates have been encouraging with the software business resilient and education services successfully mitigating some of the impact by shifting to an online delivery model where possible. The business has a net cash balance sheet. The shares continue to trade at a deep discount with significant long-term upside in our view.

XPS Pensions

Description

Is the only listed defined benefit pensions specialist in the UK. The company offers pensions actuarial, administration, compliance and advisory services. Formerly owned by Close Brothers Private Equity, the company listed on the LSE in 2017.

Thesis

Following a large merger with Punter Southall, the company warned on profits mid-way through 2019 and suffered a material de-rating. We initiated our position at this point as we believe the quality and longevity of the cash flows to be very attractive and mispriced at its prevailing valuation. The company has a largely predictable core business with the opportunity to enhance returns through continued market share gains, supportive regulatory tailwinds and accretive bolt-on acquisitions. Consolidation in the market (merger between Aon and Willis Towers Watson, and Mercer and JLT) provides further opportunity for XPS to take market share over the medium term.

Developments in the period

The company regained its poise following the disappointments of early 2019. Underlying growth returned with strong cash conversion. The company has also maintained a healthy 5% dividend yield through the Covid-19 pandemic.

Alliance Pharma

Description

Is a global specialty pharmaceuticals business that focuses on growing, through acquisition, a high quality portfolio of niche, mature, out of patent pharmaceutical products. These include prescription medicines, as well as consumer focused over the counter products.

Thesis

The company owns a portfolio of mature pharmaceutical products that have strong positions in niche markets with defensive characteristics. Alliance Pharma does not invest in R&D (given all products are mature and out of patent), and outsources manufacturing and distribution activities, which enables high margins and a strong cash generation profile. Over recent years the business has established a portfolio of four 'International Star Brands' which have delivered high growth and improved the overall financial profile of the group. Further bolt on product acquisitions are likely.

Developments in the period

2019 was the first year since 2006 that the company did not undertake any acquisitions, instead focusing on integrating the Nizoral brand acquired from J&J in 2018, implementing a new ERP system and delivering growth from the existing product portfolio. Pleasingly, the company delivered growth ahead of consensus with star brands Kelocote, Macushield and Nizoral leading the way, growing 38%, 18% and 14% respectively. Whilst some understandable disruption was experienced due to Covid-19, trading has been relatively resilient and the business remained profitable and cash generative in H1 2020 and its balance sheet remains healthy.

Investment Manager's Report *(continued)*

Wilmington

Description

Is a B2B media business that provides business information, training and events products. The company consists of a portfolio of brands that focus on niche sectors including risk (i.e. insurance), compliance, banking, accounting, legal services, healthcare providers and pharmaceuticals.

Thesis

Wilmington generates high teens EBITA margins, high teens+ ROCE and good cash conversion. More than 80% of revenues in the main publishing and information divisions are delivered digitally, typically on a subscription basis, and with high levels of client retention. Growth has been held back in recent years and we believe the presence of a new chairman, CEO and CFO will improve the company's execution and management of the portfolio to drive shareholder value. Given its strong position in attractive markets it is capable of mid-single digit organic growth; delivery of this against very modest current market expectations could support a substantial re-rating of the stock. In the absence of a re-rating, we believe the company has the potential to become a takeover target.

Developments in the period

The business returned to modest organic growth over the course of 2019 with an improving trend half-on-half and with all three divisions of the business demonstrating growth. This trajectory validates the operational improvements the new management team have put in place over the last 6 months. Forward indicators were positive in the early parts of 2020, however the company has been impacted by Covid-19 as the ability to run face to face training and events has been curtailed. These areas together represent c.40% of the company's revenue, although the company has been successful in mitigating some of this through cost savings and delivering training online. Encouragingly, more recent updates show the business performing to the upper end of the range of post-Covid-19 expectations and successfully renegotiating banking covenants to enable sufficient financial flexibility to trade through a prolonged period of disruption. We continue to monitor the situation closely, however we are optimistic that a leaner, more digitally focused and more valuable company can emerge from the crisis in the period to come.

Brooks Macdonald

Description

Is an investment and wealth management services provider. The company provides a range of investment management services and advice to individuals, pension funds, institutions, charities and trusts. It also provides offshore fund management and administration services. The company manages £13.7bn of assets from offices across the UK and the Channel Islands.

Thesis

The company has historically had one of the strongest rates of organic growth in its sector given its relationship with independent financial advisers and its large exposure to self-invested personal pension schemes. New management have undertaken 'catch-up' investment to fit the increased size of the group and are now focusing on growing the group margin and matching the performance of the international business to the successful onshore business. The company is highly cash generative and has a healthy net cash balance.

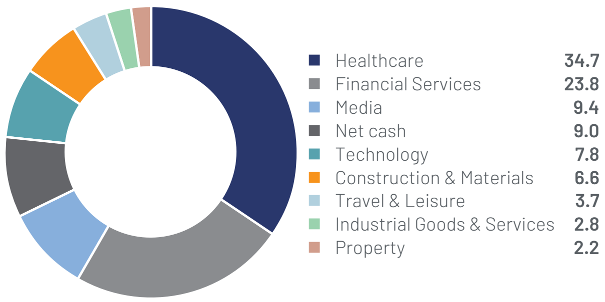
Developments in the period

Financial markets were weak over the period impacting the share price. Despite this, the company continues to improve its operating margin and deliver strong cash generation. In November, the company announced the acquisition of Cornelian Asset Managers for a post cost synergy P/E multiple of 7x. The acquisition strengthens the Group's intermediary distribution reach and adds multi-asset funds to its range.

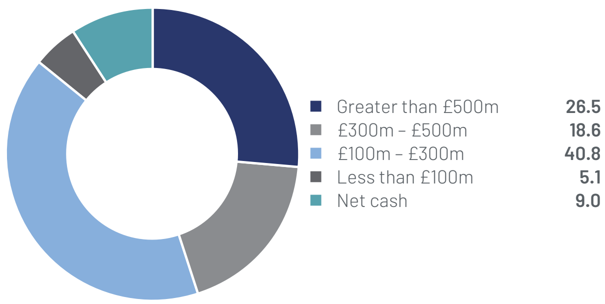
Portfolio as at 30 June 2020

Company	Sector Classification	Date of first Investment	Cost £'000	Valuation £'000	% of invested portfolio at 30 June 2020	% of invested portfolio at 30 June 2019	% of net assets
Clinigen	Healthcare	Jul 2014	16,511	20,646	14.9%	7.1%	13.6%
Equiniti	Financial Services	Mar 2016	18,039	13,522	9.8%	13.3%	8.9%
Tyman	Construction & Materials	Apr 2007	12,150	10,079	7.3%	7.2%	6.6%
Ergomed	Healthcare	Apr 2018	4,077	10,033	7.3%	6.1%	6.6%
Medica	Healthcare	Mar 2017	10,646	9,747	7.1%	5.4%	6.4%
Tribal	Technology	Dec 2014	12,901	9,678	7.0%	7.1%	6.4%
XPS	Financial Services	Jul 2019	8,764	8,961	6.5%	–	6.0%
Alliance Pharma	Healthcare	May 2017	5,669	7,324	5.3%	4.9%	4.8%
Wilmington	Media	Oct 2010	11,942	7,001	5.1%	7.0%	4.6%
Brooks Macdonald	Financial Services	Jun 2016	7,483	6,953	5.0%	5.0%	4.6%
Hostelworld	Travel & Leisure	Oct 2019	9,137	5,662	4.1%	–	3.7%
Benchmark	Healthcare	Jun 2019	5,881	4,955	3.6%	1.1%	3.3%
Hyve	Media	May 2020	4,610	4,625	3.3%	–	3.0%
Strix	Industrial Goods & Services	May 2019	3,439	4,235	3.1%	1.7%	2.8%
Harworth	Property	Jul 2016	2,813	3,401	2.5%	3.6%	2.2%
JTC	Financial Services	Jun 2019	2,584	3,305	2.4%	0.9%	2.2%
Numis	Financial Services	Oct 2017	3,100	3,192	2.3%	2.1%	2.1%
4imprint	Media	Feb 2006	643	2,693	1.9%	6.9%	1.8%
Proactis	Technology	Nov 2017	9,308	2,137	1.5%	1.2%	1.4%
Vintage I	Unquoted Investment	Mar 2007	2	9	0.0%	0.4%	0.0%
Total Investments				**138,158**			**91.0%**
Cash and cash equivalents				13,901			9.2%
Net current liabilities				(312)			(0.2%)
Total shareholders' funds				**151,747**			**100.0%**

Sector split by industry



Size split by market capitalisation



Investment Manager's Report *(continued)*

Unquoted Investment

Over the period, the Company received a capital distribution of £0.3m 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. The IRR on this investment over the last 13 years has shown the benefits from such a differentiated investment approach.

Outlook

The current backdrop is unprecedented. The indiscriminate impact of Covid-19 enforced lock downs and travel restrictions have started to flow through to the 'real economy' with a precipitous 20.4% fall in UK GDP in Q2 – the largest quarterly fall in GDP since records began in 1955. This was led by record falls in services, manufacturing and construction sectors which were badly impacted by government restrictions. The consumer environment also deteriorated with the number of hours worked down 18%, and a sharp decline in private consumption, down 23%. This was despite record levels of monetary and fiscal stimulus. A similar situation is mirrored in key economies around the globe. Gold has reached an all-time high over $2,000 illustrating a flight to safe-haven assets. However, interest rates are also at historic lows and, in the UK, particularly in smaller companies, there are highly supportive valuations. Whilst uncomfortable, history has found that uncomfortable times are often good times to invest in equities.

Covid-19 has led to deep changes in long-established economic and social protocols which has left few companies unscathed. Pleasingly, our portfolio companies have largely demonstrated agility in delivering products and services to customers and their financial positions have proven stronger than worst fears at the onset of the pandemic. Exposure to areas such as healthcare, support services and technology provide some defence to the broader macro risks and this was reflected in a resilient relative performance through a period of turmoil. Quality businesses with strong market positions and strong IP always have value in our view and this gives us a degree of confidence as we look ahead.

The length, severity and long-term impact of Covid-19 remains difficult to accurately forecast at this stage for anyone. There will doubtless be many second (and third) order implications which are still emerging, and we suspect there will be further bumps and potholes in the road to recovery. We maintain a healthy cash position which is strategically valuable in times like this. Such extraordinary times are, we strongly believe, likely to create a number of attractive long-term investment opportunities, both within the portfolio and in the broader market. An engaged investment approach based on private equity techniques has shown that through cycles superior investment performance can be generated.

Ken Wotton/Adam Khanbhai
Gresham House Asset Management

30 September 2020

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

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

Other Information

Business and Status of the Company

The Company is quoted on the London Stock Exchange and is a member of the Association of Investment Companies.

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

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

The Company has received written approval from HM Revenue and Customs as an authorised investment trust under Section 1158 of the Corporation Tax 2010 ("CTA") and the ongoing requirements for approved companies in Chapter 3 Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999). The Company will continue to be treated as an investment trust company subject to the Company continuing to meet the eligibility conditions for approval. In the opinion of the Directors, the Company's affairs have been conducted in a manner to satisfy these conditions to enable it to continue to qualify as an investment trust company for the year ended 30 June 2020.

Investment Objective

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

Investment Policy

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

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

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

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

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

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

Performance and Dividend

Over the year to 30 June 2020, net assets have fallen by £17.3 million representing a decrease of 10.2% (9.6% decrease on a per share basis owing to the impact of the Company's share buy backs). Further information on the performance of the Company's portfolio is contained in the Investment Manager's Report on pages 6 to 12.

The Company's investment objective is one of capital growth and it is anticipated that returns for Shareholders will derive primarily from capital gains. The Board is governed by the rules for investment trusts that require that the Company must not retain more than 15% of its income from any one year. The Board recommends a final dividend of 1.25p (2019: 1.50p) per Ordinary share, amounting to £791,000 (2019: £951,000) based on the Ordinary share capital at the date of this report. The Company's dividend policy remains unchanged, and it may be that next year, the dividend will be lower.

Performance Analysis Using KPIs

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

NAV per Ordinary share

The NAV per Ordinary share, including revenue reserves, as at 30 June 2020 was 239.74p, representing a fall of 9.6% from the 30 June 2019 NAV of 265.12p.

Other Information *(continued)*

Movement in the Company's share price

In the year to 30 June 2020, the Company's share price fell by 14.7% from 229.50p to 195.75p (year to 30 June 2019: rise of 4.3% from 220.00p to 229.50p). The share price total return, taking account of the 1.50p dividend paid in the year, was minus 13.8% (year to 30 June 2019: 4.8%).

Discount of the share price in relation to the NAV

Over the year, the discount of the Ordinary share price in relation to the NAV ranged from 11.8% to 27.1% with the average being 16.6%. As at 30 June 2020, the Company's shares traded at a discount of 18.3% (30 June 2019: discount of 13.4%).

Ongoing charges

The ongoing charges ratio (excluding the performance fee) was 1.11% in the year to 30 June 2020 (30 June 2019: 1.10%).

Investment Manager

On 14 May 2020, after an extensive review of the Company's management arrangements, Gresham House Asset Management ("GHAM") were appointed as Investment Manager, replacing GVQ Investment Management Limited.

Following the appointment of GHAM, Jeff Harris and Adam Khanbhai, accepted employment offers to join GHAM to continue their role as the Company's portfolio managers.

The new Investment Management Agreement is on the same terms as the previous Agreement and the level of fees (including performance fee) remains unchanged. GHAM have agreed that no management fees will be payable by the Company for the first six months following their appointment.

Investment Management Agreement

The Company's investments are managed by GHAM under an agreement dated 14 May 2020. The Investment Manager's appointment is subject to termination on 6 months' notice given at any time by either party.

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

The Board keeps the performance of the Investment Manager under continual review, and the Management Engagement Committee, comprising all Directors, conducts an annual appraisal of the Investment Manager's performance, and makes a recommendation to the Board about the continuing appointment of the Investment Manager. The Board appointed GHAM as Investment Manager on 14 May 2020 following an extensive review of the Company's management arrangements. Therefore, it is the opinion of the Directors that the continuing appointment of GHAM is in the interests of shareholders as a whole.

Investment Manager's Fees

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

Basic Fee

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

Performance Fee Arrangements

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

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

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

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

A performance fee of £nil is payable in respect of the rolling three-year period ended 30 June 2020 (2019: £484,000).

Principal Risks and Uncertainties Associated with the Company

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

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

The world has been subject to the most extraordinary challenges, largely as a result of the Covid-19 pandemic which has affected most parts of the world bringing medical, social, economic and financial crises. The Company's principal risks in relation to Covid-19 are a significant fall in the valuation of the investment portfolio; a significant fall in dividend income and operational resilience of third party suppliers. The longer term effects of Covid-19 remain unknown. The Directors continue to work with the agents and advisers to the Company to try and manage the risks, including emerging risks. The central aims remain to preserve value in the Company's portfolio and liquidity in the Company's shares. The Directors aim to ensure that the Company maintains its investment strategy, has operational resilience, meets its regulatory requirements as an investment trust (and in particular in the provision of regular information to the market) and tries to navigate the financial and economic circumstances in these very uncertain times.

Principal Risk	Mitigation	Action taken in the year
Investment Performance The unconstrained long-term philosophy and concentrated portfolios resulting from the investment strategy can lead to periods of significant short-term variation in performance. The underlying investments are in companies which, due to their smaller size, may have limited product lines, limited financial resources with dependence on a few key individuals and less liquid shares. These risks are more significant than in larger companies.	The Board maintains a close review of how the Investment Manager invests to implement the investment strategy and regularly reviews adherence to the investment policy. The Board maintains a longer-term perspective in relation to monitoring performance of the Investment Manager in achieving the investment objective. The Board relies on the Investment Manager to engage actively with the investee companies in order to support long-term value enhancement and the actions taken are reported and reviewed regularly by the Board.	The Board, through its review process, did not identify any specific new action required either with the portfolio as a whole or with any one specific investment to mitigate performance risk over and above that already taken by the Investment Manager. The investment performance has been reviewed specifically in the light of the Covid-19 pandemic.
Operational Risk The Company appoints and relies on a number of third parties, including the Investment Manager, to provide it with the necessary services, such as registrar, depository, custodian, administrator, company secretary, lawyers, external auditors and brokers.	The Board has a detailed risk matrix which is reviewed by the Audit Committee and the Board twice yearly and is used as a tool to consider the principal risks of the Company and the controls that are in place in relation to those risks where appropriate. Key appointments of third party service providers are taken after a formal process ensuring the required skills and experience are satisfied. An annual review of service providers is carried out by the Management Engagement Committee. Internal control reports, where available, on the systems and processes of the Company's service providers are reviewed at least annually and as appropriate and any findings discussed where appropriate.	Following an extensive review of the Company's management arrangements the Board appointed Gresham House Asset Management ("GHAM") as Investment Manager on 14 May 2020. The Management Engagement Committee performed a review of all other service providers in May 2020. All were assessed to provide a satisfactory service to the Company. Internal controls reports were reviewed, no significant controls weaknesses were identified. The operational requirements of the Company, including from its service providers, have been subject to rigorous testing (including remote working and virtual meetings) as to their application during the Covid-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust.

Other Information *(continued)*

Principal Risk	Mitigation	Action taken in the year
Regulatory Compliance and Legislation Breach of regulatory rules could lead to the suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on realised capital gains.	The Board is comprised of individuals whose background, qualifications and experience ensure that the increasing volume and complexity of relevant regulatory and legislative requirements are understood. Where appropriate, advice and training are sought from service providers. Board selection and performance review processes support this approach.	At their quarterly meeting, the Board reviewed regulatory and technical updates. No significant actions were required in the year. The Board reviews the Section 1158 compliance schedule, prepared by the Company Secretary, at each quarterly Board Meeting. The Board is being kept appraised of changes in the regulatory environment caused by the Covid-19 pandemic. The Company Secretary provides an update at each Board meeting.
Discount/Premium A significant share price discount or premium to the Company's NAV per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence.	The Board has established share issuance and share buy-back processes to assist in the moderation of share price premium and discount to NAV. Shareholders are kept informed of developments as far as practicable and are encouraged to attend briefings, such as the Company's Annual General Meeting, to understand the implementation of the investment strategy to achieve the Company's objectives.	During the year under review, the Company's shares traded at a discount to NAV of between 11.8% and 27.1%. The Directors authorised the buy-back of 462,745 shares to be held in Treasury during the year.
Economic, Political and External Factors The Company invests predominantly in UK shares and therefore performance may be impacted by economic, political and other factors which affect either the operation of the markets that portfolio companies trade in, the UK stock market or currency movements. In particular small changes can have a larger impact on small companies. The risks posed by the Covid-19 pandemic impact on all the economic, political and external factors the Company faces.	The exposure to these external factors is considered largely outside of the Company's control so regular monitoring is carried out with regards to the likely effects should any potential mitigation be possible. Limits are set for investment in overseas based investments.	The Board continues to monitor developments of Brexit owing to the uncertainty that remains over the arrangements which will follow at the end of the transition period. The Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility. The Board is monitoring the development of the Covid-19 pandemic and has been holding fortnightly calls with the Investment Manager to assess the impact on the portfolio.
Investment Manager The loss of key individuals at the Investment Manager could have, or be perceived to have, a material effect on the Company's performance.	In order to reduce this risk the Investment Manager operates a team based approach to fund management. The team consists of a number of investment professionals who combine a number of complementary skill sets, including corporate finance, traditional fund management, research and private equity disciplines. The team is also supported by the Industry Advisory Panel of the Investment Manager.	The Board conducted an extensive review of the Company's management arrangements during the year and GHAM were appointed as the Company's Investment Manager in May 2020. GHAM has a strong team-based capability.

There have been no changes to the Company's principal risks since 30 June 2020.

Viability Statement

The Board has assessed the prospects of the Company over the three years to 30 June 2023. This assessment period has been chosen as the Board believes it represents an appropriate period given the long-term investment objectives of the Company, the low working capital and the simplicity of the business model.

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

- The nature of the Company's portfolio
- The Company's investment strategy
- The potential impact of the Principal Risks and Uncertainties
- Annual continuation vote
- Share buy-backs
- The liquidity of the Company's portfolio
- Market falls and gains, with particular reference to the Covid-19 pandemic
- The level of existing and potential long-term liabilities

The Company's portfolio currently includes a large position in cash or liquid money market funds. Over the last five years, cash and liquid money market funds have averaged c.9.1% of the NAV and reflected 9.2% of the 30 June 2020 NAV. Cash balances can be varied due to changes in market conditions, but positive cash levels are expected to be maintained over the period.

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

The Directors have also carried out a robust assessment of the principal and emerging risks and uncertainties, as noted on pages 15 and 16, that are facing the Company over the period of the review, including those that would threaten its business model, future performance, solvency or liquidity.

Based on this assessment, the Directors are confident that the Company's investment approach, portfolio management and balance sheet approach will ensure that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 June 2023.

In making this assessment, the Board has considered in particular the potential short and longer term impact of Covid-19, in the form of a period of significant stock market volatility, a significant reduction in the liquidity of the portfolio or changes in investor sentiment, and how these factors might affect the Company's prospects and viability in the future. The Board has also evaluated the ability of third party suppliers to continue to deliver services to the Company during Covid-19.

The Board recognises that its assessment includes the assumption that the resolution to continue the Company as an investment trust, which is put to shareholders at each AGM, is passed at the next AGM on 11 November 2020 as well as at the subsequent two AGMs, as it was in prior years.

Going Concern

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

In assessing the Company's ability to continue as a going concern the Directors have also considered the Company's investment objective, detailed on the inside front cover, risk management policies, detailed on pages 15 and 16, 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 and for at least 12 months from the date of this Report. In addition, the Board has had regard to the Company's investment performance (see page 1), the price at which the Company's shares trade relative to their NAV (see page 1) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders by the Company's advisers).

The Directors performed an assessment of the Company's ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration the uncertain economic outlook in the wake of the Covid-19 pandemic including:

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;

Other Information *(continued)*

- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income and a buy-back of 10% of the Company's Ordinary share capital, the impact of which would leave the Company with a positive cash position.

Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

Resolution 11 at this year's Annual General Meeting represents the annual continuation vote by Shareholders on the Company's future. The Board believes this resolution to be in the best interests of the Company and its members as a whole, and strongly recommends that Shareholders should vote in favour of Resolution 11 as each Director intends to do in respect of her or his own beneficial shareholdings.

Environmental, Social and Governance Issues

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

The Board is comprised entirely of non-executive Directors and the day-to-day management of the Company's business is delegated to the Investment Manager (details of the Investment Management Agreement are set out on page 14). Therefore the Directors do not consider it necessary for the Company to have environmental, human rights or community policies in place.

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

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

How the Board meets its obligations under section 172 of the Companies Act

The Directors have a duty to promote the success of the Company for the benefit of its shareholders as a whole. The Directors are required to include a report explaining how they have discharged their duties under Section 172(1) of the Companies Act 2006 and how they have considered the views of the Company's key stakeholders in regard to any key decisions taken. The report includes specific matters the Board has considered during the Covid-19 pandemic. The Company being an investment trust, the key stakeholders comprise its shareholders, the Investment Manager and its third-party service providers (including the Company Secretary and Administrator, the Registrar, the Depositary and the Custodian). The Manager also engages extensively with the investee companies, particularly on performance and corporate governance issues.

The Board welcomes the views of shareholders and places considerable importance on communications with them. The Investment Manager reports back to the Board on meetings with shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company and presentations held in London in the normal course provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Board.

The Company's primary business relationships are with its Investment Manager and AIFM, Gresham House Asset Management ("GHAM"), and its Company Secretary and Administrator, PATAC. On 14 May 2020 the Company appointed GHAM as Investment Manager following an extensive review of its management arrangements. The Board has been mindful of the challenges that active asset managers, and boutique UK asset managers in particular, have faced in recent years and the resource required to implement effectively the Company's particular investment strategy. Furthermore, the Board recognises the importance of a strong sales and marketing capability to attract new investors. GHAM has a strong and well-developed platform with a strong net cash balance sheet and well-developed operational resources. It has an established pedigree of investing on a strategic public equity basis in UK equity markets. The Company will also benefit from the strong investment company sales and marketing capabilities of Aberdeen Standard Investment owing to their partnership with GHAM. The Board will work closely with GHAM to achieve long-term success for the Company and its stakeholders.

PATAC provides company secretarial and administration services to the Company. PATAC also seeks to maintain constructive relationships with the Company's other third-party suppliers, for example the Registrar, the Depositary and the Custodian, on behalf of the Board typically through regular communication and provision of information.

Since the emergence of the Covid-19 pandemic the Directors have had increased interaction with the Investment Manager and PATAC to ensure the continued operation of the Company and its portfolio for the benefit of its key stakeholders in uncertain circumstances. To date the Company has continued to function without disruption.

Modern Slavery

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

Criminal Finances Act 2017

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

Diversity

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

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

On behalf of the Board

Richard Hills
Chairman
30 September 2020

Report of the Directors

Directors

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

Corporate governance

The Company's corporate governance statement is set out on pages 22 to 28 and forms part of the Report of the Directors.

Share Capital

The Company's issued share capital at 30 June 2020 consisted of 63,296,844 Ordinary shares of 10p each and there were 6,562,047 ordinary shares held in treasury. At 29 September 2020 the issued share capital consisted of 63,296,844 ordinary shares of 10p each and 6,562,047 ordinary shares were held in treasury. All shares have equal voting rights. The maximum number of Ordinary shares in issue during the year was 63,759,589.

During the year the Company purchased 462,745 Ordinary shares to be held in Treasury at a total cost of £1,028,000, representing 0.7% of the Ordinary shares in issue at the year end.

Substantial shareholdings

The Company has been informed of the following notifiable interests in the voting rights of the Company as at 30 June 2020:

	Number of shares held	% of total voting rights
1607 Capital Partners	10,775,452	17.0%
RIT Capital Partners	9,468,227	14.9%
City of London Investment Management	3,394,818	5.4%
Arbuthnot Fund Managers	3,314,774	5.2%
Brewin Dolphin	3,278,841	5.1%
Ian Armitage	3,124,000	4.9%
Sir Clive Thompson	2,679,102	4.2%
Jonathan Morgan	2,400,000	3.8%

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the year.

Information About Securities Carrying Voting Rights

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

- The Company's capital structure and voting rights are summarised above.
- Details of the substantial Shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 23.
- Details of the powers of the Directors to issue or buy-back the Company's shares are disclosed above and on page 21.
- 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.

Accountability and Audit

The responsibilities of the Directors and the Auditor in connection with the financial statements is included on pages 36 and 37.

The Directors who held office at the date of approval of this Directors' Report 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 he/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's 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 52 to 56.

Requirements of the Listing Rules

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

Annual General Meeting

The Notice of the Annual General Meeting to be held on 11 November 2020, is set out on pages 61 to 65. Full details of all resolutions can be found in the Notice. The resolutions to be proposed as items of special business are set out below.

To continue the Company (Resolution 11)

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

To authorise the allotment of shares (Resolution 12)

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without Shareholder approval. The purpose of Resolution 12, which is proposed as an ordinary resolution, is to empower the Directors to allot shares with an aggregate nominal value of up to £632,968, being approximately 10% of the Company's issued Ordinary share capital (excluding treasury shares) as at the latest practicable date prior to the publication of this document. The authority granted to the Directors if this Resolution 12 is passed would last until the earlier of the Annual General Meeting in 2021 or 10 February 2022.

The Directors intend to use the authority to issue ordinary shares only if and when they believe it to be advantageous to the Company's existing shareholders to do so. In no circumstances would such issue of new shares or re-issue of shares from Treasury result in a dilution of net asset value per share.

To disapply Section 561 of the Companies Act 2006 (Resolution 13)

Under Section 561 of the Companies Act 2006, if the Directors wish to allot any equity securities, or sell any treasury shares (should they elect to hold any), for cash, they must first offer them to existing Shareholders in proportion to their shareholdings. The purpose of Resolution 13, which is proposed as a special resolution, is to allow the Directors to allot shares, or sell any treasury shares, for cash other than in accordance with Section 561 up to a maximum aggregate nominal amount of £632,968, representing approximately 10% of the Company's issued Ordinary share capital of 63,296,844 10p shares as at 29 September 2020 (being the latest practicable date prior to publication of this document).

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

This authority will last until the earlier of the Annual General Meeting in 2021 or 10 February 2022.

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

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

The authority is limited to 9,488,197 Ordinary shares, representing approximately 14.99% of the Company's shares in issue as at 29 September 2020 (being the latest practicable date prior to publication of this document).

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

Any such purchases will be made during the period commencing at the close of the Annual General Meeting and ending on the earlier of the date of the Company's Annual General Meeting in 2021 or 10 February 2022.

At the Annual General Meeting held on 6 November 2019 the Company was authorised to purchase approximately 14.99% of its own shares for cancellation or to be held in treasury. The number of Ordinary shares remaining under that authority as at 29 September 2020 (being the latest practicable date prior to publication of this document) was 9,503,186 Ordinary shares.

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

The Company has not purchased any Ordinary shares since 30 June 2020. As at 29 September 2020 (being the latest practicable date prior to publication of this document), the Company held 6,562,047 Ordinary shares in treasury.

Directors' Recommendation

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

On behalf of the Board

Richard Hills
Chairman
30 September 2020

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 Board has considered the principles and provisions of the Association of Investment Companies' Code of Corporate Governance ('AIC Code'). The AIC Code is endorsed by the Financial Reporting Council and adapts the principles and provisions set out in the UK Corporate Governance Code to make them relevant to investment companies as well as incorporating the relevant provisions of the UK Corporate Governance Code.

The Board believes that the AIC Code provides the most appropriate governance framework for the Company. Accordingly, the Company reports against the principles and provisions of the AIC Code. The February 2019 edition of the AIC Code is applicable to the year under review and can be found at www.theaic.co.uk.

By reporting against the AIC Code, the Board is meeting its obligations in relation to the UK Corporate Governance Code.

The Board confirms that, during the year, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code (the "UK Code"), except as set out below:

- Provision 17 and 32 of the UK Code (Provision 22 and 37 of the AIC Code): the requirements to have a Nomination Committee and Remuneration Committee – owing to the nature of the Company, the activities of these committees are undertaken by the Board.
- Provision 24 of the UK Code: the requirement for the Chairman to not sit on the Audit Committee – the Board believes that all Directors, including the Chairman, should sit on all the Committees.

Articles of Association

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

Board of Directors

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

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

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

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

Board Operation

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

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

- Investment and business strategy of the Company.
- Annual and 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.

Board Balance and Independence

All of the Directors of the Company are non-executive and, independent of the Investment Manager.

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

Chairman

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

Re-election and Retirement of Directors

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

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

Directors' Induction, Training and Development

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

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

Performance Evaluation

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

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 2020 and the attendance of the individual Directors is shown below:

	Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Richard Hills	4	4	2	2	1	1
William Barlow	4	4	2	2	1	1
Josephine Dixon	4	4	2	2	1	1
Richard Locke	4	4	2	2	1	1
David Morrison	4	4	2	2	1	1

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

In addition to the regular Board meetings, members of the Board attended ten other informal Board meetings during the year for strategic discussions. Two Committee meetings were also held during the year to consider the approval of the Company's Annual and Interim Reports.

The Board has also met informally during the year to review and discuss the Company's resilience in light of the Covid-19 pandemic.

In 2020, 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, each Director is independent of judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

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

Committees of the Board

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

Audit Committee

The main responsibilities of the Audit Committee and the matters addressed by the Committee during the year under review are detailed in the Audit Committee Report on pages 27 and 28.

The Chairman of the Board is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

The Chair of the Audit Committee is a Chartered Accountant and the other Committee members have a combination of financial, investment and other relevant experience. The Board is therefore satisfied that the Audit Committee has adequate skills to perform its role.

Management Engagement Committee

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

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

Disclosure Committee

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

Remuneration Matters

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

Full details of the remuneration arrangements for Directors can be found in the Directors' Remuneration Report on pages 29 to 31.

Nomination Matters

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

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

Company Secretary

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

Dialogue with Shareholders

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

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

Conflicts of Interest

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

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

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

Internal Control Review

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

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review process, which has been in place for the year ended 30 June 2020 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 Gresham House Asset Management. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Investment Manager at regular meetings. The Audit Committee reviews compliance reports from the Investment Manager on a twice-yearly basis, and the Investment Manager's compliance officer is in attendance at these meetings;

Statement on Corporate Governance *(continued)*

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

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

Audit Committee Report

The Committee met twice during the year. Attendance by each Director is shown in the table on page 23.

The Committee's main responsibilities are:

1. To review the half year and annual financial statements

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

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

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

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

3. In relation to the external auditor:

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

4. Consider the need for an internal audit function

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

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

Risk Management and Effectiveness of Internal Controls

The Committee conducted a robust review of the effectiveness of the Company's risk management and internal control systems in February 2020, as part of its consideration of the Annual Report and Financial Statements for the year ended 30 June 2020. The review included considering those risks that might threaten the Company's business model, future performance, solvency or liquidity.

During the year the Committee has considered the following:

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

Following that process, the Committee then recommended to the Board the endorsement of the statement on internal control, as included in this Report on pages 25 and 26.

Following the appointment of a new Investment Manager during the year, the change control team of Gresham House reported to members of the Committee on the operational and control aspects of the transfer of the contract from GVQ at various stages of the handover.

Following a decrease in the certainty with which investee company dividends are being paid, either by cancellation or amounts changed, the Committee discussed and agreed with the administrator an enhancement to the frequency of dividend reconciliations.

Half Year and Annual Financial Statements

Both the Half-yearly Report for the period ended 31 December 2019 and the Annual Report for the year ended 30 June 2020 were reviewed in detail and in line with the Committee's responsibilities and formal recommendations were made to the Board for approval. The Committee considered the basis and reasonableness of the valuation of the Company's quoted investments, as a significant matter. The Committee also considered the following other matters:

- the basis and reasonableness of the valuation of the Company's unquoted investment, Vintage 1;
- in discussion with the Auditor and the Investment Manager, the calculation of the investment management and performance fees payable to the Investment Manager;

Audit Committee Report *(continued)*

- the prospects of the Company over the three year period agreed by the Board when assessing the long-term viability of the Company, and the appropriateness of the statement from the Directors, as included in this Annual Report; and
- the use of the going concern principle in the preparation of the financial statements for the year ended 30 June 2020. The Committee considered evidence supporting this principle and reviewed the statement on going concern for endorsement by the Board. This can be found on pages 17 and 18.

Auditor

Under EU legislation quoted companies are required to tender the external audit at least every ten years, and change auditor at least every twenty years. The Committee last undertook an audit tender process in December 2015 following which KPMG LLP was appointed as auditor with effect from 17 February 2016 in respect of the financial year ended 30 June 2016. EU legislation requires the Company to tender the external audit no later than for the year ending 30 June 2026. In accordance with professional and regulatory standards, the audit director responsible for the audit is rotated at least every five years in order to protect independence and objectivity and to provide fresh challenge to the business.

In accordance with professional and regulatory standards, the audit director responsible for the audit is rotated at least every five years in order to protect independence and objectivity and to provide fresh challenge to the business. The year ended 30 June 2020 is the second year for which the present audit director from KPMG, Gary Fensom, has served as the senior statutory auditor.

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

Independence, Objectivity and Effectiveness of the Auditor

The Committee reviewed the independence and objectivity of KPMG LLP as the Auditor in September 2020. The Committee had no grounds to question the independence or objectivity of the audit firm, their director or management. The Committee also considered the performance of the Auditor by discussing separately amongst themselves the appropriateness of KPMG LLP's approach to the audit, by detailed discussion with the Audit Director at the Audit Committee meeting in September 2020 of the quality of their report to the Company, and from their ability to assist the Committee in questions raised. The Committee was satisfied with the performance of the Auditor.

Audit Fees

The Audit Committee reviewed the audit plan and fees presented by the Auditor and considered their report on the annual financial statements at a meeting of the Committee attended by the Auditor. The fee for the audit of the Annual Report and Financial Statements for the year ended 30 June 2020 of £30,000 (excluding VAT) was considered and approved by the Committee for recommendation to the Board.

Non-audit Services

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

No non-audit services were provided to the Company in the year ending 30 June 2020. The only fees paid to KPMG LLP were in relation to the statutory audit as referred to above.

Re-appointment of the Auditor

Following this review, the Committee is satisfied with the performance of KPMG LLP and has no hesitation in recommending their re-appointment as statutory Auditor to the Company. A resolution to this effect will therefore be put to Shareholders at the forthcoming Annual General Meeting to be held on 11 November 2020.

Josephine Dixon
Audit Committee Chairman
30 September 2020

Directors' Remuneration Report

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

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

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 33 to 37.

Directors' Remuneration Report
Statement from the Chairman

The Board presents the Directors' Remuneration Report for the year ended 30 June 2020, which has been prepared in accordance with the Companies Act 2006.

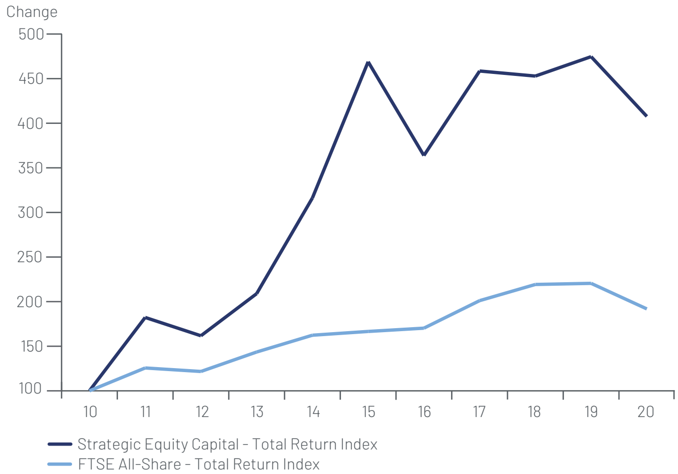
The Board has resolved that, in view of the size of the Board, it is most appropriate for matters of remuneration to be dealt with by the Board as a whole. The Remuneration Policy is set out on page 31.

During the year ended 30 June 2020, Directors' fees were set at a rate of £36,800 for the Chairman, £29,000 for the Chairman of the Audit Committee and £25,250 for a non-executive Director of the Company. Following a review of the level of Directors' fees for the forthcoming year the Board concluded that the amounts should remain unchanged.

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

Your Company's performance

The Company is required to include a performance graph in this report comparing the Company's total shareholder return performance against that of a broad equity market index. The Company is legally required to present a performance comparison. However, comparison against an index is not the objective of the Company. The following graph compares the total shareholder return to the total return on the FTSE All-Share Total Return Index. This index has been selected for comparison of the Company's performance for its generic qualities as no listed index directly comparable to the Company's portfolio exists.



Source: Refinitiv Datastream

Directors' emoluments for the year ended 30 June 2020 (audited)

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

	Year ended 30 June 2020 £	Year ended 30 June 2019 £	% change	Average annual change in employees' pay
Richard Hills	**36,800**	35,700	+3.1	N/A
William Barlow	**25,250**	24,500	+3.1	N/A
Josephine Dixon	**29,000**	28,100	+3.2	N/A
Richard Locke	**25,250**	24,500	+3.1	N/A
David Morrison†	**25,250**	9,894	+3.1	N/A
Sir Clive Thompson‡	**–**	8,655	N/A	N/A
Total	**141,550**	131,349	N/A	N/A

† David Morrison was appointed to the Board on 1 February 2019.

‡ Sir Clive Thompson retired from the Board on 7 November 2018.

The above emoluments are of a fixed nature with no variable elements.

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 2020 and the preceding year:

a) the remuneration paid to Directors; and

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

	Year ended 30 June 2020 £	Year ended 30 June 2019 £	Change
Total remuneration	**141,550**	131,349	7.8%
Dividend paid	**951,000**	661,000	43.9%

Directors' interests (audited)

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

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

	30 June 2020	30 June 2019
Richard Hills	**75,000**	75,000
William Barlow	**10,000**	10,000
Josephine Dixon	**10,000**	10,000
Richard Locke*	**30,000**	30,000
David Morrison†	**10,000**	10,000

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

† This interest is held by Prospect Investment Management Limited, of which Mr Morrison is a Director.

There have been no changes to any of the above holdings between 30 June 2020 and the date of this report.

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

Directors' service contracts

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

Approval of Directors' Remuneration Report and Directors' Remuneration Policy

The Directors' Remuneration Report for the year ended 30 June 2019 was approved by Shareholders at the Annual General Meeting held on 6 November 2019. The votes cast by proxy were as follows:

Directors' Remuneration Report	Number of votes	% of votes cast
For	40,152,388	99.79
Against	15,366	0.04
At Chairman's discretion	68,372	0.17
Total votes cast	**40,236,126**	**100.00**
Number of votes withheld	2,458	

The Directors' Remuneration Policy, which was approved by Shareholders at the Annual General Meeting held on 7 November 2018, and will next be put to shareholders at the Annual General Meeting in 2021. The votes cast by proxy on 7 November 2018 were as follows:

Directors' Remuneration Policy	Number of votes	% of votes cast
For	39,271,618	99.82
Against	13,038	0.03
At Chairman's discretion	56,505	0.15
Total votes cast	**39,341,161**	**100.00**
Number of votes withheld	870	

Directors' Remuneration Policy

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

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

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

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

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

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 30 September 2020 and signed on its behalf by the Chairman.

Richard Hills
Chairman
30 September 2020

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

The Directors are responsible for preparing the Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

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

We confirm that to the best of our knowledge:

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

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

Richard Hills
Chairman
30 September 2020

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Independent auditor's report

to the members of Strategic Equity Capital plc

1. **Our opinion is unmodified**

We have audited the financial statements of Strategic Equity Capital plc ("the Company") for the year ended 30 June 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its return for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 17 February 2016. The period of total uninterrupted engagement is for the five financial years ended 30 June 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		**£1.52m (2019: £1.72m)** 1% (2019: 1%) of Total Assets
Key audit matters		**vs 2019**
Recurring risks	Carrying amount of quoted investments	◄►

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2019) in arriving at our audit opinion above, together with our key audit procedures to address that matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

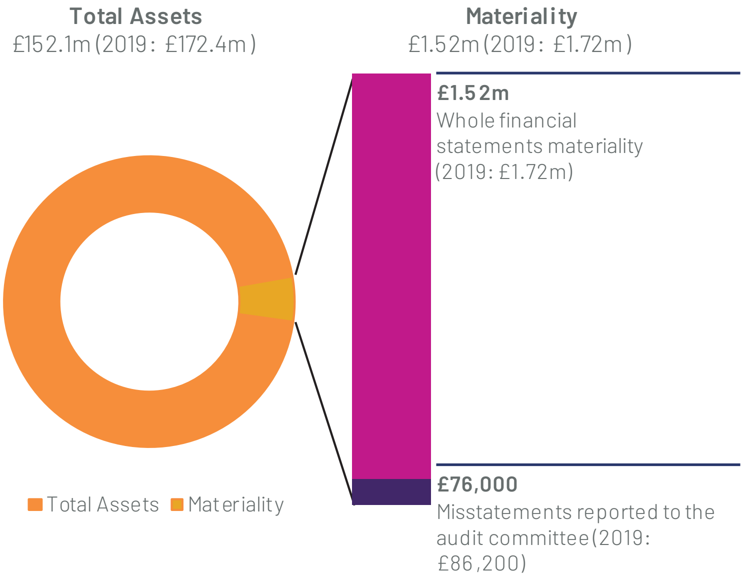
	The risk	Our response
Carrying amount of quoted investments (£138.1 million; 2019: £154.3 million) *Refer to pages 27 and 28 (Audit Committee Report), pages 42 and 43 (accounting policy) and pages 48 and 49 (financial disclosures).*	**Low risk, high value** The Company's portfolio of investments make up 90.8% (2019: 89.5%) of the total assets (by value) and are considered to be the key driver of operations and performance results. We do not consider investments to be a high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Tests of detail:** Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and — **Enquiry of depositary:** Agreeing 100 per cent of the investment holdings in the portfolio to independently received third party confirmations from the investment depositary. **Our results** — We found the carrying amount of quoted investments to be acceptable (2019: acceptable).

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

Materiality for the financial statements as a whole was set at £1.52m (2019: £1.72m), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £76,000 (2019: £86,200); in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



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4. **We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on pages 17 and 18 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

— we have not identified material misstatements in the Strategic Report and the Directors' Report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

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

Disclosures of principal risks and longer-term viability

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

— the Directors' confirmation within the Viability Statement on page 17 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and

— the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

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Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 32, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Com pany's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of com pany legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the manager and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

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Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

Gary Fensom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2020

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Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	Year ended 30 June 2020 Revenue return £'000	Year ended 30 June 2020 Capital return £'000	Year ended 30 June 2020 Total £'000	Year ended 30 June 2019 Revenue return £'000	Year ended 30 June 2019 Capital return £'000	Year ended 30 June 2019 Total £'000
Investments							
(Losses)/gains on investments held at fair value through profit or loss	8	**–**	**(15,551)**	**(15,551)**	–	1,449	1,449
		–	**(15,551)**	**(15,551)**	–	1,449	1,449
Income							
Dividends	2	**2,260**	**–**	**2,260**	3,116	–	3,116
Interest	2	**45**	**–**	**45**	73	–	73
Total income		**2,305**	**–**	**2,305**	3,189	–	3,189
Expenses							
Investment Manager's fee	3	**(1,134)**	**–**	**(1,134)**	(1,235)	–	(1,235)
Investment Manager's performance fee	3	**–**	**–**	**–**	–	(484)	(484)
Other expenses	4	**(931)**	**–**	**(931)**	(576)	–	(576)
Total expenses		**(2,065)**	**–**	**(2,065)**	(1,811)	(484)	(2,295)
Net return before taxation		**240**	**(15,551)**	**(15,311)**	1,378	965	2,343
Taxation	5	**–**	**–**	**–**	–	–	–
Net return and total comprehensive income for the year		**240**	**(15,551)**	**(15,311)**	1,378	965	2,343
		pence	**pence**	**pence**	pence	pence	pence
Return per Ordinary share	7	**0.38**	**(24.54)**	**(24.16)**	2.11	1.48	3.59

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with IFRS. 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 56 form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2020

	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 2020								
1 July 2019		**6,986**	**31,737**	**25,595**	**99,910**	**2,264**	**2,545**	**169,037**
Net return and total comprehensive income for the year		**–**	**–**	**–**	**(15,551)**	**–**	**240**	**(15,311)**
Dividends paid	6	**–**	**–**	**–**	**–**	**–**	**(951)**	**(951)**
Share buy-backs		**–**	**–**	**(1,028)**	**–**	**–**	**–**	**(1,028)**
30 June 2020		**6,986**	**31,737**	**24,567**	**84,359**	**2,264**	**1,834**	**151,747**
For the year ended 30 June 2019								
1 July 2018		6,986	31,737	32,521	98,945	2,264	1,828	174,281
Net return and total comprehensive income for the year		–	–	–	965	–	1,378	2,343
Dividends paid	6	–	–	–	–	–	(661)	(661)
Share buy-backs		–	–	(6,926)	–	–	–	(6,926)
30 June 2019		6,986	31,737	25,595	99,910	2,264	2,545	169,037

All profits are attributable to the equity owners of the Company and there are no minority interests.

The notes on pages 42 to 56 form part of these financial statements.

Balance Sheet
as at 30 June 2020

	Note	30 June 2020 £'000	30 June 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**138,158**	154,888
Current assets			
Trade and other receivables	10	**55**	1,244
Cash and cash equivalents	14	**13,901**	16,311
		13,956	17,555
Total assets		**152,114**	172,443
Current liabilities			
Trade and other payables	11	**(367)**	(3,406)
Net assets		**151,747**	169,037
Capital and reserves			
Share capital	12	**6,986**	6,986
Share premium account	13	**31,737**	31,737
Special reserve	13	**24,567**	25,595
Capital reserve	13	**84,359**	99,910
Capital redemption reserve	13	**2,264**	2,264
Revenue reserve	13	**1,834**	2,545
Total shareholders' equity		**151,747**	169,037
		pence	pence
Net asset value per share	15	**239.74**	265.12
		number	number
Ordinary shares in issue	12	**63,296,844**	63,759,589

The financial statements were approved by the Board of Directors of Strategic Equity Capital plc on 30 September 2020. They were signed on its behalf by

Richard Hills
Chairman
30 September 2020
Company Number: 05448627

The notes on pages 42 to 56 form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Operating activities			
Net return before taxation		**(15,311)**	2,343
Adjustment for losses/(gains) on investments		**15,554**	(1,448)
Adjustment for revaluation of foreign currency balances		**(3)**	(1)
Operating cash flows before movements in working capital		**240**	894
Decrease/(increase) in receivables		**77**	(57)
(Decrease)/increase in payables		**(752)**	433
Purchases of portfolio investments		**(59,880)**	(26,508)
Sales of portfolio investments		**60,024**	34,953
Net cash flow from operating activities		**(291)**	9,715
Financing activities			
Equity dividend paid	6	**(951)**	(661)
Shares bought back in the year		**(1,171)**	(6,838)
Net cash flow from financing activities		**(2,122)**	(7,499)
(Decrease)/increase in cash and cash equivalents for year		**(2,413)**	2,216
Cash and cash equivalents at start of year		**16,311**	14,094
Revaluation of foreign currency balances	14	**3**	1
Cash and cash equivalents at 30 June	14	**13,901**	16,311

The notes on pages 42 to 56 form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

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 2020 were authorised for issue in accordance with a resolution of the Directors on 30 September 2020.

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 in October 2019 is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

The financial statements of the Company have been prepared on a going concern basis, on the assumption the continuation vote is passed by Shareholders at the forthcoming Annual General Meeting (see page 61). The Board has also considered the impact of Covid-19 and believe this will have a limited financial impact on the Company's operational resources and existence.

The Directors performed an assessment of the Company's ability to meet its liabilities as they fall due. In performing this assessment, the Directors took into consideration the uncertain economic outlook in the wake of the Covid-19 pandemic including:

- cash and cash equivalents balances and the portfolio of readily realisable securities which can be used to meet short-term funding commitments;
- the ability of the Company to meet all of its liabilities and ongoing expenses from its assets;
- revenue and operating cost forecasts for the forthcoming year;
- the ability of third-party service providers to continue to provide services; and
- potential downside scenarios including stress testing the Company's portfolio for a 30% fall in the value of the investment portfolio; a 50% fall in dividend income and a buy-back of 10% of the Company's Ordinary share capital, the impact of which would leave the Company with a positive cash position.

Based on this assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements 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. As such, no segmental reporting disclosure has been included in the financial statements.

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, quoted equities, unquoted equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. Investments are initially recognised at cost, being the fair value of the consideration.

1.3 Accounting policies *(continued)*

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

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

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

Trade date accounting

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

Income

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

Expenses

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

Cash and cash equivalents

Cash and cash equivalents which are held to maturity are carried at fair value. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

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.

1.3 Accounting policies *(continued)*

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.

Share issues and related accounts

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

Share buy-backs

Shares which are repurchased are recognised as a deduction from special reserve and are either classified as treasury shares 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 judgements

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

The only estimates and judgements that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments and investments to which there is an inactive market. These are valued in accordance with the techniques set out in note 8. At the year end, such investments represent 0.01% of the net assets and consequently, the Board does not believe these to represent an area of significant judgement or estimation.

Reserves

Share premium account. The share premium represents the difference between the nominal value of new Ordinary shares issued and the consideration the Company receives for these shares.

Special reserve. Created from the Court cancellation of the share premium account which had arisen from premiums paid on the Ordinary shares. The reserve is distributable and its function is to fund any share buy-backs by the Company.

Capital reserve. Gains and losses on the realisation of investments, realised exchange differences of a capital nature and returns of capital are accounted for in this reserve. Increases and decreases in the valuation of investments held at the year end, and unrealised exchange differences of a capital nature are also accounted for in this reserve.

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

Revenue reserve. Any surplus/deficit arising from the revenue profit/loss for the year is taken to/from this reserve.

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

1.4 Adoption of new and revised accounting standards

The Directors confirm that none of the following newly effective standards have materially affected the Company's financial statements:-

Standard	Effective date
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 Financial Instruments	1 January 2019
Annual Improvements to IFRSs – 2015-2017 Cycle	1 January 2019

The Directors do not anticipate the adoption of the following standards will have a material impact on the Company's financial statements:

Standard	Effective date
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendment to IFRS 3 Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39	1 January 2020

2 Income

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Income from investments						
UK dividend income	**2,260**	**–**	**2,260**	3,116	–	3,116
	2,260	**–**	**2,260**	3,116	–	3,116
Other operating income						
Liquidity interest	**45**	**–**	**45**	73	–	73
Total income	**2,305**	**–**	**2,305**	3,189	–	3,189

3 Investment Manager's fee

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Management fee	**1,134**	**–**	**1,134**	1,235	–	1,235
Performance fee	**–**	**–**	**–**	–	484	484
	1,134	**–**	**1,134**	1,235	484	1,719

A basic management fee was payable to the Investment Manager at an annual rate of 0.75% of the NAV of the Company. The basic management fee accrues daily and is payable quarterly in arrears. The Investment Manager is also entitled to a performance fee, details of which are given in the Strategic Report on page 14.

As noted in the Chairman's Statement the Company appointed GHAM as Investment Manager with effect from 21 May 2020. GHAM have agreed that no management fees will be payable by the Company for the first six months following their appointment.

4 Other expenses

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	**148**	**–**	**148**	117	–	117
Auditors' remuneration for:						
Audit services*	**30**	**–**	**30**	24	–	24
Directors' remuneration	**142**	**–**	**142**	131	–	131
Other expenses†	**611**	**–**	**611**	304	–	304
	931	**–**	**931**	576	–	576

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

* No non-audit fees were incurred during the year.
† Other expenses include £359,000 of costs in relation to the change in Investment Manager.

5 Taxation

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Corporation tax at 19.00% (2019: 19.00%)	**–**	**–**	**–**	–	–	–
	–	**–**	**–**	–	–	–

The Company is subject to corporation tax at 19.00%. As at 30 June 2020 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**240**	**(15,551)**	**(15,311)**	1,378	965	2,343
Theoretical tax at UK corporation tax rate of 19.00% (2019: 19.00%)	**46**	**(2,955)**	**(2,909)**	262	183	445
Effects of:						
– UK dividends that are not taxable	**(429)**	**–**	**(429)**	(592)	–	(592)
– Unrelieved expenses	**383**	**–**	**383**	330	92	422
– Non-taxable investment gains	**–**	**2,955**	**2,955**	–	(275)	(275)
	–	**–**	**–**	–	–	–

5 Taxation *(continued)*

Factors that may affect future tax charges

At 30 June 2020, the Company had no unprovided deferred tax liabilities (2019: £nil). At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £24,337,000 (2019: £22,321,000) that are available to offset future taxable revenue. A deferred tax asset of £4,624,000 (2019: £3,795,000) has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

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

6 Dividends

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

	30 June 2020 £'000	30 June 2019 £'000
Final dividend proposed of 1.25p (2019: 1.50p) per share	**791**	951

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

	30 June 2020 £'000	30 June 2019 £'000
Final dividend: 1.50p per share (2019: 1.00p)	**951**	661

Dividends have been solely paid out of the Revenue reserve.

7 Return per Ordinary share

	Year ended 30 June 2020			Year ended 30 June 2019		
	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	**(15,311)**	**63,362,889**	**(24.16)**	2,343	65,305,594	3.59
Revenue Return per share	**240**	**63,362,889**	**0.38**	1,378	65,305,594	2.11
Capital Return per share	**(15,551)**	**63,362,889**	**(24.54)**	965	65,305,594	1.48

8 Investments

	30 June 2020 £'000	30 June 2019 £'000
Investment portfolio summary		
Quoted investments at fair value through profit or loss	**138,149**	154,260
Unquoted investments at fair value through profit or loss	**9**	628
	138,158	154,888

	Quoted £'000	Unquoted £'000	30 June 2020 Total £'000
Analysis of investment portfolio movements			
Opening book cost	**134,580**	**30**	**134,610**
Opening investment holding gains	**19,680**	**598**	**20,278**
Opening valuation	**154,260**	**628**	**154,888**
Movements in the year:			
Purchases at cost	**57,736**	**–**	**57,736**
Sales – proceeds	**(58,344)**	**(568)**	**(58,912)**
– realised gains on sales	**15,726**	**539**	**16,265**
Decrease in unrealised appreciation	**(31,229)**	**(590)**	**(31,819)**
Closing valuation	**138,149**	**9**	**138,158**
Closing book cost	**149,698**	**1**	**149,699**
Closing investment holding gains	**(11,549)**	**8**	**(11,541)**
	138,149	**9**	**138,158**

The Company received £58,912,000 (2019: £36,065,000) from investments sold in the year. The book cost of these investments when they were purchased was £42,647,000 (2019: £23,934,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of these investments.

The unquoted column above constitutes a reconciliation of all level 3 holdings held.

A list of the portfolio holdings by their aggregate market values is given in the Investment Manager's report on page 11. Transaction costs incidental to the acquisitions of investments totalled £180,000 (2019: £91,000) and disposals of investments totalled £41,000 (2019: £28,000) respectively for the year.

	30 June 2020 £'000	30 June 2019 £'000
Analysis of capital (losses)/gains		
Gains on sale of investments	**16,265**	12,131
Foreign exchange gains on settlement at bank	**3**	1
Movement in investment holding losses	**(31,819)**	(10,683)
	(15,551)	1,449

8 Investments *(continued)*

Under IFRS 13, 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 quoted equities.

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

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

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

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

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

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 30 June 2020.

Financial instruments at fair value through profit or loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2020				
Equity investments and limited partnership interests	**138,149**	**–**	**9**	**138,158**
Liquidity funds	**–**	**7,456**	**–**	**7,456**
Total	**138,149**	**7,456**	**9**	**145,614**
30 June 2019				
Equity investments and limited partnership interests	154,260	–	628	154,888
Liquidity funds	–	15,513	–	15,513
Total	154,260	15,513	628	170,401

There were no transfers between levels for the year ended 30 June 2020 (2019: none).

9 Significant interests

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

Name of investment	**Class of Share**	**30 June 2020 Percentage held**
Tribal	Ordinary	8.88%
Hostelworld	Ordinary	7.84%
Medica	Ordinary	6.87%
Wilmington	Ordinary	6.78%
Proactis	Ordinary	6.39%
Ergomed	Ordinary	4.62%
XPS Pensions	Ordinary	3.96%

10 Trade and other receivables

	30 June 2020 £'000	30 June 2019 £'000
UK dividends receivable	**26**	98
Amounts due from brokers	**–**	1,112
Other receivables and prepayments	**29**	34
	55	1,244

11 Trade and other payables

	30 June 2020 £'000	30 June 2019 £'000
Amounts due to brokers	**208**	2,352
Share buy-backs for settlement	**–**	143
Investment Manager's performance fee	**–**	484
Other payables and accruals	**159**	427
	367	3,406

12 Nominal share capital

	Number	**£'000**
Allotted, called up and fully paid Ordinary shares of 10p each:		
Ordinary shares in circulation at 30 June 2019	**69,858,891**	**6,986**
Shares held in Treasury at 30 June 2019	**(6,099,302)**	**(610)**
Ordinary shares in issue per Balance Sheet at 30 June 2019	**63,759,589**	**6,376**
Shares bought back during the year to be held in Treasury	**(462,745)**	**(46)**
Ordinary shares in issue per Balance Sheet at 30 June 2020	63,296,844	6,330
Shares held in Treasury at 30 June 2020	6,562,047	656
Ordinary shares in circulation at 30 June 2020	69,858,891	6,986

13 Reserves

For the year ended 30 June 2020	Share premium account £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	**31,737**	**25,595**	**79,632**	**20,278**	**2,264**	**2,545**
Net gain on realisation of investments	**–**	**–**	**16,265**	**–**	**–**	**–**
Decrease in unrealised appreciation	**–**	**–**	**–**	**(31,819)**	**–**	**–**
Foreign exchange differences	**–**	**–**	**3**	**–**	**–**	**–**
Share buy-backs	**–**	**(1,028)**	**–**	**–**	**–**	**–**
Net return for the year	**–**	**–**	**–**	**–**	**–**	**240**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(951)**
As at 30 June 2020	**31,737**	**24,567**	**95,900**	**(11,541)**	**2,264**	**1,834**

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

For the year ended 30 June 2019	Share premium account £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	31,737	32,521	67,984	30,961	2,264	1,828
Net gain on realisation of investments	–	–	12,131	–	–	–
Decrease in unrealised appreciation	–	–	–	(10,683)	–	–
Foreign exchange differences	–	–	1	–	–	–
Investment Manager's Performance Fee	–	–	(484)	–	–	–
Share buy-backs	–	(6,926)	–	–	–	–
Net return for the year	–	–	–	–	–	1,378
Dividends paid	–	–	–	–	–	(661)
As at 30 June 2019	31,737	25,595	79,632	20,278	2,264	2,545

14 Reconciliation of net cash flow to net funds

	30 June 2020 £'000	30 June 2019 £'000
Opening net funds	**16,311**	14,094
(Decrease)/increase in cash and cash equivalents in year	**(2,413)**	2,216
Non cash movement:		
– Foreign exchange differences	**3**	1
Closing net funds	**13,901**	16,311

	At 30 June 2019 £'000	Net cash flow £'000	**At 30 June 2020 £'000**
Cash at bank	798	5,647	**6,445**
Liquidity funds	15,513	(8,057)	**7,456**
	16,311	(2,410)	**13,901**

15 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £151,747,000 (2019: £169,037,000) and on 63,296,844 (2019: 63,759,589) 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 (2019: €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 J.P.Morgan Chase Bank N.A., the Company's Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board reviews the Custodian's annual controls report and the Investment Manager's management of the relationship with the Custodian.

The Company invests in markets that operate DVP (Delivery versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Investment 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.

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

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. The maximum exposure to credit risk is £13,956,000 (2019: £17,555,000). There are no assets past due or impaired (2019: 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.

If the investment portfolio valuation fell by 30% from the 30 June 2020 valuation (2019: 20%), with all other variables held constant, there would have been a reduction of £41,447,000 (2019: £30,978,000) in the return after taxation and equity. An increase of 30% 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 2020 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 2020 (2019: 0.5%), it would have the effect, with all other variables held constant, of reducing the net return after taxation and equity by £70,000 (2019: £82,000). If there had been an increase in interest rates of 0.5% there would have been an equal and opposite effect in the net return after taxation and equity. The calculations are based on the cash balances at 30 June 2020 and are not representative of the year as a whole.

Non-interest rate risk exposure

The remainder of the Company's portfolio and current assets and liabilities are not subject directly to interest rate risk (2019: same).

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

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

The interest rate risk profile of the Company's financial assets at 30 June 2020 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Quoted investments	138,149	138,149	–
Liquidity funds	7,456	–	7,456
Cash	6,445	–	6,445
Receivables*	26	26	–
Closing net funds	152,076	138,175	13,901
Euros			
Unquoted investments	9	9	–
	9	9	–
Total	152,085	138,184	13,901

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

The interest rate risk profile of the Company's financial assets at 30 June 2019 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Quoted investments	154,260	154,260	–
Liquidity funds	15,513	–	15,513
Cash	798	–	798
Receivables*	1,210	1,210	–
Closing net funds	171,781	155,470	16,311
Euros			
Unquoted investments	628	628	–
	628	628	–
Total	172,409	156,098	16,311

* 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 liabilities at 30 June 2020 was:

	Total £'000	No interest rate risk financial assets £'000
Sterling		
Creditors	**367**	**367**

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 2019 was:

	Total £'000	No interest rate risk financial assets £'000
Sterling		
Creditors	3,406	3,406

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

(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 which is the only non-Sterling asset. The Company is, therefore, subject to foreign currency risk.

During the year the Sterling/Euro exchange rate fluctuated 12.8% between a low of 1.06795 on 23 March 2020 and a high of 1.20465 on 18 February 2020, before closing at 1.10360 on 30 June 2020 (30 June 2019: 1.1162).

If the Sterling/Euro exchange rate had weakened by 15% from that obtained at 30 June 2020 (2019: 15%), it would have the effect, with all other variables held constant, of increasing net profit and equity Shareholders' funds by £2,000 (2019: £111,000). A strengthening of 15% (2019: 15%) would have had an equal but opposite effect on the net profit and equity Shareholders' funds. The calculations are based on the value of the investment in Vintage 1 as at 30 June 2019 and 2020 and this may not be representative of the year as a whole. The balance exposed to foreign currency risk is £9,000 (2019: £628,000).

Fair values of financial assets and financial liabilities

The carrying value of the financial assets and liabilities (receivables and payables) of the Company is equivalent to their fair value (2019: same).

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

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 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 2020 was £nil (2019: £318,000). The amount due to the Investment Manager for performance fees at 30 June 2020 was £nil (2019: £484,000).

Fees paid to Directors are disclosed in the Directors' Remuneration Report on page 29. Full details of Directors' interests are set out on page 30.

AIFMD Disclosures ("Unaudited")

Alternative Investment Fund Managers Directive ("AIFMD") Disclosures

The Company's AIFM is GHAM.

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and remuneration disclosures in respect of the year ended 31 December 2019 are available from GHAM on request.

The Company's maximum and actual leverage levels at 30 June 2020 are shown below:

Leverage Exposure	Gross Method	Commitment Method
Maximum limit	125%	125%
Actual	96%	100%

The Company's investor disclosure document was updated during the year following the change of Investment Manager.

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

Alternative Performance Measures

Alternative Performance Measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IFRS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. The Alternative Performance Measures chosen are widely used in the investment trust sector and thus provide information for users of the accounts to compare the results with other closed-end investment companies.

Discount

The amount by which the Ordinary share price is lower than the NAV per Ordinary share. The discount is normally expressed as a percentage of the NAV per share.

			2020	2019
NAV per Ordinary share	a		**239.74p**	265.12p
Share Price	b		**195.75p**	229.50p
Discount	c	c=(b-a)/a	**18.3%**	13.4%

Average discount

The average discount is calculated by taking the average of each day's share price discount to NAV over the course of the year. The discount range during the year was 11.8% to 27.1% and the average discount was 16.6%.

NAV Total return

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

	2020	2019
Opening NAV	**265.12p**	260.16p
(Decrease)/increase in NAV per Ordinary share	**(25.38)p**	4.96p
Closing NAV	**239.74p**	265.12p
% (decrease)/increase in NAV	**(9.6)%**	1.9%
Impact of dividends reinvested*	**0.5%**	0.3%
NAV total return	**(9.1)%**	2.2%

* The impact of dividends reinvested assumes that the dividend of 1.50p (2019: 1.00p) paid by the Company was reinvested into shares of the Company at the ex-dividend date.

Share price total return

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

	2020	2019
Opening share price	**229.50p**	220.00p
(Decrease)/increase in share price	**(33.75)p**	9.50p
Closing share price	**195.75p**	229.50p
% (decrease)/increase in share price	**(14.7)%**	4.3%
Impact of dividends reinvested*	**0.9%**	0.5%
Share price total return	**(13.8)%**	4.8%

* The impact of dividends reinvested assumes that the dividend of 1.50p (2019: 1.00p) paid by the Company was reinvested into shares of the Company at the ex-dividend date.

Ongoing charges

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

			2020 £'000	2019 £'000
Investment management fee			**1,134**	1,235
Administrative expenses			**572**	576
Effect of management fee holiday			**100**	–
Ongoing charges	a		**1,806**	1,811
Average net assets	b		**163,307**	164,638
Ongoing charges ratio (%)	c	c=a/b	**1.11%**	1.10%

Ongoing charges (including perfomance fee)

As per above, with the addition of the performance fee.

			2020 £'000	2019 £'000
Ongoing charges			**1,806**	1,811
Performance fee			**–**	484
Ongoing charges (including performance fee)	a		**1,806**	2,295
Average net assets	b		**163,307**	164,638
Ongoing charges ratio (including performance fee) (%)	c	c=a/b	**1.11%**	1.39%

Dividend yield

The proposed annual dividend expressed as a percentage of the Ordinary share price.

			2020	2019
Proposed dividend	a		**1.25p**	1.50p
Ordinary share price	b		**195.75p**	229.50p
Dividend yield	c	c=a/b	**0.6%**	0.7%

Corporate Information

Auditor
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Broker
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Custodian
J.P. Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

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

Investment Manager
Gresham House Asset Management Limited
Octagon Point
5 Cheapside
London EC2V 6AA
Tel: 020 3837 6270

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: 0370 707 1285
Website: www.computershare.com

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Company Secretary and Administrator
PATAC Limited
28 Walker Street
Edinburgh EH3 7HR
Tel: 0131 538 6610

Registered Office
c/o Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

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

Notice of Annual General Meeting

This document is important and requires your immediate attention.

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Strategic Equity Capital plc will be held at the offices of the Company Secretary at 28 Walker Street, Edinburgh EH3 7HR on 11 November 2020 at 12 noon. Given the ongoing COVID-19 pandemic, and in accordance with measures currently imposed by the Government, the board of directors of the Company (the "Board" or the "Directors") has decided to put in place arrangements that mean that the Annual General Meeting will not follow its usual format. Only the statutory formal business (consisting of voting on the resolutions set out below) will be conducted and only those Shareholders nominated by the Board to form the minimum quorum to hold the meeting will be permitted to attend. The meeting will be facilitated by the Company in line with the Government's social distancing guidelines. **Please do not attend the meeting in person. Anyone seeking to attend the meeting in person (other than those forming the quorum) will be refused entry.**

Instead, please fill in the proxy form sent to you with this document and return it to our registrars as soon as possible. They must receive it by 12 noon on 9 November 2020. CREST members can also appoint proxies by using the CREST electronic proxy appointment service.

In light of the social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any proxy you appoint other than the Chairman may be refused entry to the meeting.

If circumstances change and social distancing measures are relaxed before the Annual General Meeting, the Company will consider these changes and, if it is appropriate, notify Shareholders of any changes to the proposed format for the Annual General Meeting as soon as possible via RIS.

Ordinary Business

Ordinary Resolutions

1. To receive and adopt the audited Financial Statements for the year ended 30 June 2020, together with the Strategic Report and Reports of the Directors and Auditor thereon.
2. To declare a final dividend of 1.25p per Ordinary share.
3. To receive and approve the Directors' Remuneration Report.
4. To re-elect Richard Hills as a Director.
5. To re-elect Josephine Dixon as a Director.
6. To re-elect Richard Locke as a Director.
7. To re-elect William Barlow as a Director.
8. To re-elect David Morrison as a Director.
9. To appoint KPMG LLP as Auditor to the Company, to hold office from the conclusion of this Meeting until the next General Meeting at which financial statements are laid.
10. To authorise the Directors to determine the remuneration of KPMG LLP.

Special Business

Ordinary Resolutions

11. THAT the Company continue as an investment trust until the conclusion of the next Annual General Meeting of the Company.

12. THAT in substitution for 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, the "Act") up to an aggregate nominal amount of £632,968 (equivalent to 10% of the Company's issued Ordinary share capital of 63,296,844 Ordinary 10p shares at 29 September 2020), 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 10 February 2022 (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, subject to the passing of resolution 12 above and in substitution for any existing authority, the Board be and it is hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 12 above and/or to sell equity securities from treasury for cash, as if Section 561 of the Act did not apply to any such allotment or sales, 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 £632,968 (equivalent to 10% of the Company's issued Ordinary share capital of 63,296,844 Ordinary 10p shares at 29 September 2020), 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 10 February 2022, 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 the Company be and is hereby authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its Ordinary shares provided that:

    (i) the maximum number of Ordinary shares hereby authorised to be purchased shall not exceed 9,488,197 Ordinary shares (being 14.99% of the Company's issued ordinary share capital as at 29 September 2020 (being the latest practicable date prior to the date of this notice) excluding any Ordinary shares held in treasury);

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

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

    This authority shall continue for the period ending on the earlier of: (i) the date on which the maximum number of Ordinary shares authorised to be purchased pursuant to this resolution 14 have been purchased by the Company; (ii) the date of the next Annual General Meeting of the Company after the passing of this resolution; and (iii) 10 February 2022 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:

c/o Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

By Order of the Board

PATAC Limited
Company Secretary
30 September 2020

Notes:

1. The Company specifies that only those Shareholders registered on the register of members of the Company as at 6:00 pm on 9 November 2020 (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. **You are reminded that in light of social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any member seeking to attend the meeting in person may be refused entry.**

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. **In light of the social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any proxy you appoint other than the Chairman may be refused entry to 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. **However, in light of social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any Shareholder attempting to attend the meeting in person may be refused entry to the meeting.** 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 29 September 2020 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 63,296,844 Ordinary shares carrying one vote each and the total number of voting rights was 63,296,844.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. **However, you are reminded that in light of social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any such corporate representative may be refused entry to the meeting.**

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.

   However, you are reminded that in light of social distancing measures imposed by the Government as a result of the current Covid-19 pandemic, any member seeking to attend the meeting in person may be refused entry to the meeting. If a member has a question in relation to the business of the meeting or a question for the Board that would have been raised at the meeting, it can be sent by email to cosec@patplc.co.uk.

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. **Inspection of these documents may only take place in accordance with measures imposed by the Government in connection with the Covid-19 pandemic. If you wish to inspect any of these documents, you should email cosec@patplc.co.uk to arrange an appointment. You are reminded that anyone seeking to attend the Annual General Meeting in person (other than those forming the quorum) may be refused entry.**

STRATEGIC EQUITY CAPITAL PLC

www.strategicequitycapital.com