STRATEGIC EQUITY CAPITAL PLC

HALF-YEARLY REPORT & FINANCIAL STATEMENTS

for the six month period to 31 December 2016

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 2.

Investment Manager's Strategy

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

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

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Financial Summary

	As at 31 December 2016	As at 30 June 2016	As at 31 December 2015	Six months % change to 31 December 2016
Capital return				
Net asset value ("NAV") (statutory) per Ordinary share	**225.14p**	198.06p	212.63p	13.7%
Ordinary share price	**199.50p**	178.00p	220.13p	12.1%
(Discount)/premium of Ordinary share price to NAV	**(11.4)%**	(10.1)%	3.5%	
Average (discount)/premium of Ordinary share price to NAV for the period	**(9.0)%**	1.6%	6.1%	
Total assets (£'000)[1]	**157,917**	138,816	149,028	13.8%
Equity Shareholders' funds (£'000)[1]	**157,170**	138,361	148,540	13.6%
Ordinary shares in issue with voting rights[1]	**69,808,891**	69,858,891	69,858,891	(0.1)%

	Six month period to 31 December 2016	Year ended 30 June 2016	Six month period to 31 December 2015
Performance			
Total return for the period[2]	**14.1%**	(8.7)%	(2.0)%
Ongoing charges – annualised[3]	**1.28%**	1.40%	1.46%
Revenue return per Ordinary share	**0.43p**	0.44p	0.34p
Dividend yield[4]	**n/a**	0.4%	n/a
Proposed dividend for period	**n/a**	0.78p	n/a

Interim period's Highs/Lows	**High**	**Low**
NAV per Ordinary share	225.79p	194.49p
Ordinary share price	210.00p	169.00p

[1] During the six months ended 31 December 2016 the Company bought back and held in treasury 50,000 shares at a cost of £93,000.

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

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

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

Investment Policy

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

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

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

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

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

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

Chairman's Report

Introduction

Recent months have marked a momentous period for the United Kingdom and its relationship with its two major trading partners, the EU and the USA. Unpredicted outcomes in the UK Referendum and the US Presidential Election appear, so far, to have been treated by investors more positively than expected. Following the UK Referendum, the Company's NAV rose materially as a result of general stock market buoyancy, in part resulting from Sterling's sharp fall as well as from good portfolio news flow. Encouragingly, the share prices of recently underperforming portfolio companies appear to have stabilised. Further details on the Company's portfolio are included in the Investment Manager's Report on pages 5 to 10.

Performance

From 30 June to 31 December 2016 the net assets of the Company increased to £157.2m, while the NAV per share and the NAV total return per share increased by 13.7% and 14.1%[1] respectively. On a total return basis, the NAV per share lagged the rise in the FTSE Small Cap ex Investment Companies Total Return Index ("FTSE Small Cap Index"), which increased by 18.0%. This underperformance, which is disappointing in comparison to previous periods, is discussed more fully in the Investment Manager's Report on page 5.

[1] Source AIC.

The share price return was marginally lower than the NAV return due to a slight widening of the discount. The discount varied over the period between 2% and 14%, averaging 9.0%, and ended the period at 11.4%.

During the period, only one portfolio company experienced a decline in its share price. In contrast it was pleasing to see the Investment Manager's engagement initiatives bear fruit in a number of holdings. Longstanding investment E2V Technologies was subject to an agreed bid which crystallises an excellent long-term return for shareholders. Also, there was strong evidence that the re-invigorated Boards at Goals Soccer Centres and Tribal Group have made good progress to recover value. More commentary on these investments is available in the Investment Manager's Report.

Over the past twelve months, the rally in smaller, quoted resources companies (e.g. miners and oil & gas explorers), many of which were formerly FTSE 250 constituents, has delivered a disproportionate degree of the overall return from quoted smaller companies. The Investment Manager has excluded these sectors from its investable universe since commodity prices, which are extremely difficult to predict, are the predominant driver of returns in these sectors. As a result, the Company's NAV has failed to benefit from the sharp recovery in natural resources share prices.

Looking at the longer term, over the past three years your Company has delivered a NAV total return per share of 40.6%[1], exceeding the 23.7% return from the FTSE Small Cap Index by 16.9%. The Company's five-year NAV total return per share growth of 150.0%[1] has exceeded the return from the Index by 7.4%. Notably, growth in the Company's NAV has been delivered without the use of gearing and with relatively low volatility.

Dividend

The Directors continue to expect that returns for Shareholders will derive primarily from the capital appreciation of the shares rather than from dividends. In line with previous years, the Board does not intend to propose an interim dividend.

Development of the Company

Over time the Board would like to see a gradual increase in the size of the Company but this must be demonstrably in the interests of current shareholders. There are no plans to raise further capital at present.

Gearing and Cash Management

The Company operates without a debt or overdraft facility, a policy that is periodically reviewed by the Board in conjunction with the Investment Manager.

The Board and the Investment Manager have a conservative approach to gearing as a result of the concentrated nature of the Company's portfolio. No gearing has been in place at any point during the period. Cash positions are generally maintained to take advantage of suitable investment opportunities as they arise.

Chairman's Report *(continued)*

Investment Management Team Changes

The Investment Management team of Stuart Widdowson and Jeff Harris have worked together on the Company's portfolio since 2014. Stuart has recently announced that he will be leaving the Manager to pursue a new opportunity elsewhere and the Board wishes him well in this new venture. The Board is pleased that Jeff Harris is taking on the role of Lead Manager as the Board believes Jeff to be Stuart's natural successor. Given that the Company holds a concentrated portfolio of shares, Jeff's deep knowledge of the investments and his involvement in constructing the portfolio will be very valuable to the Company. The Board would like to thank Stuart for his contribution to the Company and his support during the handover period.

Premium/Discount

During the period, the Company's shares continued to trade at a discount to NAV. In the six months to 31 December 2016, the discount to NAV averaged 9.0% and ended the period at 11.4%.

During November the Board authorised its stockbroker to buy back shares. After a relatively small purchase of 50,000 shares at a discount of c.12% the discount started to narrow. The Board will continue to monitor closely the premium/discount to NAV at which the Company's shares trade and will take further action if necessary including, inter alia, the re-introduction of tender offers.

Outlook

The Board considers that the medium and long-term prospects for the Company remain encouraging.

Our new Lead Manager, Jeff Harris, is well acquainted with all the investments held in our portfolio and has earned his position through his major contribution to the Company over a period of several years. We are confident that Jeff will enable the Company to continue delivering strong performance, which should be reflected in a narrowing of the discount in due course.

As an independent Board of directors, we place strong corporate governance very highly on the agenda. We monitor the performance of all our service providers closely and regularly to ensure that the interests of all shareholders of the Company are properly addressed. With the recent changes to the investment team, the Board is acutely aware that our shareholders will, more than usual, rely on the directors to promote and protect those interests at all times.

Richard Hills
Chairman
9 February 2017

Investment Manager’s Report

Investment Strategy

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

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

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

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

Market Background

The period under review began with investors in UK quoted companies considering the Brexit vote and determining the implications for their portfolios. There was considerable volatility among small and mid sized companies in the first week of July before markets rallied hard until the end of September. Markets then paused for breath for several weeks prior to the US election. Although a Trump victory was neither anticipated nor expected to be a positive result for investors, global stock markets including the UK rose strongly into the end of the calendar year.

Sterling continued to weaken over the period. This provided a significant tailwind to the share prices of companies with overseas sales, especially those with large US$ earnings exposure and those in the resource sectors. In comparison, the share prices of companies with domestic sales exposure appeared to lag the market.

Smaller companies performed strongly over the period. The FTSE Small Cap Index produced a total return of 18.0%. The FTSE AIM All Share Index delivered a total return of 20.3%. Whilst the positive NAV return in low teens was healthy, it did lag the overall market. The average net cash balance of 13.4% detracted from returns. Within the smaller companies sector, resource stocks delivered far higher returns than the overall market, and we believe contributed a disproportionate amount of the market return. The FTSE 100 and the FTSE 250 delivered similar returns of 11.7% and 12.0% respectively. Again, resources companies included in these indices produced very strong returns, with the FTSE 350 Mining Index delivering a return of 40.7%.

Bid approaches for UK quoted companies picked up materially in the final few weeks of the calendar year, with bidders mainly overseas corporate buyers.

Performance Review

In the recent Annual Report, we commented that we anticipated further geopolitical, macro and company-specific surprises over the period. We highlighted how many quoted companies were operating at, or close to peak margins, which could lead to disappointing trading performance. However, given the low base, we also anticipated a pick up in M&A among quoted UK smaller companies.

Whilst continuing to be optimistic about the medium to long term prospects for markets and portfolio companies in

Investment Manager's Report *(continued)*

particular, we were surprised by the extent of the swift recovery in sentiment over the summer, and felt that conditions had become a little frothy in September. As a result, we were cautious about deploying capital and in general were keener to take profits. As a result, we maintained a significant net cash balance in the portfolio, somewhat higher than in recent years.

Top 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
E2V Technologies	15,782	349
Servelec Group	15,409	216
4imprint Group	9,523	214
Equiniti Group	16,104	165
Clinigen Group	13,310	142

The share price of longstanding holding **E2V Technologies** was volatile over the period. Initially the shares performed well from an oversold position, as investors focused on the significant US$ sales exposure of the group. The interim results in November were slightly disappointing, and the company noted that the non-cyclical space imaging division was experiencing delays to contract awards. High single digit earnings downgrades associated with this saw the shares de-rate materially to a level which we felt materially undervalued the business. In early December, an agreed bid from larger US peer Teledyne Technologies Inc was announced at an all time high share price, and a premium of 48% to the closing share price on the day prior to the bid. The shares delivered a total return of 37.3% over the period. As readers of previous Company reports will be aware, we have undertaken a good deal of corporate engagement since the Company first invested in October 2009.

Servelec's share price recovered well over the period following its profit warning in June 2016, delivering a total return of 24.4%. The shares were volatile over the period driven by what we perceived to be changing sentiment and low liquidity. The interim results were in line with the revised guidance. Towards the end of the period, the company announced that it had been awarded one of the delayed contracts by a major oil and gas company to automate an offshore oil platform.

4imprint delivered a total shareholder return of 37.6% over the period. The interim results showed constant current like-for-like sales growth of 15% and similar growth in underlying operating profit and earnings. 97% of sales originate in North America, and the shares performed extremely well driven by the material depreciation of Sterling and some further modest re-rating. Significant further progress was made in the ongoing de-risking of the company's defined benefit pension scheme, with initiatives leaving a much smaller scheme with lower volatility and a reduced level of further contributions.

Equiniti delivered a total shareholder return of 26.2% over the period. The company's business model generates substantial interest income. The cut in base rates in August led to small downgrades due to the forecast reduction in this profit stream. Otherwise underlying trading was in line with expectations. The shares re-rated well over the period, as former owner Advent International completed the exit of its shareholding.

Clinigen shares performed exceptionally well from July to September, rallying 30% following strong final results. Over the period the total return was 17.8%. Like other strong performers in the portfolio over the period, it also generates a significant proportion of its sales from outside the UK. The shares drifted between October and December, and were extremely weak into the end of December, despite no negative news over that timeframe. The company announced the anticipated retirement of the CEO, who was replaced by the Deputy CEO. It announced further commercial deals with pharmaceutical partners, as well as holding a capital markets day in November.

Outside the top five contributors, **Harworth Group** performed well over the period, delivering a total return of 24.3% from the point of purchase in July to the end of the period. The interim results were in line. The majority of the share price growth came from a narrowing of the discount to NAV at which the shares trade.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Cash and cash equivalents	18,243	3
Volution Group	Nil	1
Northbridge Industrial Services	175	–
Goals Soccer Centres	6,525	(10)
IFG Group	9,185	(79)

There was only one material negative attributor. **IFG Group's** shares were weak over the period, delivering a negative total return of 12.8%. The shares performed well at the beginning of the period, rising by c.6%, before peaking in August. James Hay, its platform subsidiary, earns considerable interest income. The reduction in base rates had a significantly negative impact on this profit stream, which led to downgrades. In addition, the short term trading outlook for James Hay was less positive than had been hoped. The company has been transitioning its commercial strategy from targeting a very large number of small advisors, to focusing on fewer, much larger advisors. Whilst we believe it has been successful in establishing a significant number of new relationships with larger advisors over the year, the flow of new SIPPs from these new relationships has taken longer to build. We believe that this is a short term issue and this commercial strategy will bear fruit over the medium to long term. We continue to believe that the shares trade at a considerable discount to the sum-of-the-parts valuation of the group.

Goals Soccer Centres appointed a new CEO just before the beginning of the period. The interim results in September showed that the decline in like-for-like sales was reducing. The management team gave a further update on the progress of pitch renewals. The shares rose c.2% over the period, but were volatile, as the market continued to consider the scope for earnings recovery.

Northbridge Industrial Services saw its share price decline significantly until mid-September, before rallying materially, ending the period up 29%. Sentiment towards the company's share price appears closely linked to the oil price. It is a stub holding within the portfolio.

Volution was held in the portfolio only for the first few weeks of the period before being exited.

The average cash balance in the Company's portfolio was 13.4% over the period, which was a headwind to returns. The level of net cash at the end of the period was 11.2%, slightly higher than the 9.5% at the beginning of the period.

Dealing Activity

The level of portfolio activity was in line with the typical long term portfolio turnover. Disposals netted £19.9m (excluding distributions from unlisted investments) representing around 13.2% of the weighted average NAV. In addition, £0.3m of net distributions were received from unlisted investments. £15.2m of purchases were made, representing 10.1% of the weighted average NAV.

Net sales exceeded net purchases significantly between July and September, most of the selling taking place in buoyant market conditions in September. During this month, the net cash balance increased from 13% to 17%. In contrast, there was significant net buying from October until the end of the period as the share prices of a number of target holdings had fallen to a level at which we were happy to top up.

The only new investment over the period was **Harworth Group**, one of the UK's largest land and property regeneration companies, which owns and manages more than 22,000 acres across 150 sites in the North of England and the Midlands. £3.6m was invested, the majority of which took place in the market turbulence immediately following the EU referendum. The company's shares had fallen steeply, we believe partially because of a forced seller, and as a result were trading at a discount to its December 2016 forecast NAV of in excess of 35%. Harworth is modestly geared for a property company (low teens Loan to Value), and we believe its regeneration and improvement model has the potential to generate long term NAV per share growth of 10-12% across the economic cycle with moderate to low risk. Unlike land in London and the South East of England, land in the Midlands and the North has not seen any material price appreciation during the last few years, and appears very reasonably valued. The management team has a demonstrable track record in adding value to the land and properties in the group. Whilst property investments typically do not have the potential to reach our required rate of returns, we felt that the discount at which the shares were bought was excessive and the risk/reward compelling. The prospect of losing money on the investment seemed extremely low.

The most material portfolio top ups were made in **Equiniti** (£5.5m), **Servelec** (£1.9m), **IFG Group** (£1.1m) and **Goals Soccer Centre** (£1.0m).

The most material portfolio sell downs over the period were **Gooch & Housego** (£3.9m), **E2V Technologies** (£3.1m prior to the interim results), **4imprint** (£3.0m), **EMIS** (£2.7m – although £0.7m was subsequently re-purchased at a significantly lower share price), **Clinigen** (£1.9m), **Brooks MacDonald** (£1.2m) and **Tyman** (£1.2m).

Full exits were made in **Volution** (£1.7m) and **Iomart** (£0.6m). Volution was the one holding that was exited as a direct result of the referendum result. Whilst we hold the management team in high regard, we believe that the prospects for organic growth in its UK markets are challenged, the company has limited scope to improve margins through self-help initiatives (it is already well managed), and we had concerns that the depreciation of sterling could put pressure on gross margins. **Iomart** hit our price target and was exited.

Portfolio Review

At the end of the financial period, the portfolio remained highly focused, with a total of 17 holdings and the top 10 holdings accounting for 76% of the NAV. 99.1% of the portfolio was invested in quoted companies. The percentage of the portfolio invested in unlisted securities reduced slightly to c.0.9%. 11.2% of the NAV was invested in cash at the period end.

A number of sector weightings were reduced over the period. Industrials reduced from 5.1% of the NAV to 3.1% owing to profit taking from Tyman and the exit from Volution. Financials have decreased from 9.3% to 7.8% owing to profit taking from Brooks MacDonald and the weak share price performance of IFG. Pharmaceuticals has decreased from 9.5% to 8.5% following profit taking from Clinigen. The weighting to Electronics has fallen from 15.1% to 12.9% owing to profit taking from Gooch & Housego. Media has reduced from 8.6% to 7.8% owing to a small sell down and relative underperformance of Wilmington.

The like-for-like exposure to Support Services has risen from 12.9% to 16.3%, mainly because of the increased investment in Equiniti. Property has risen from zero to 2.7% following the investment in Harworth.

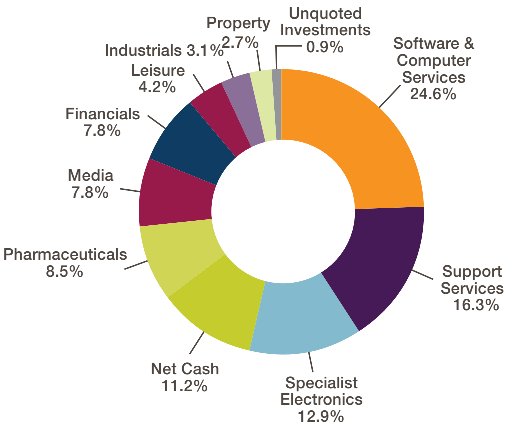
The weightings in software and computer services, and leisure, were broadly unchanged, ending the period at 24.6% and 4.2% respectively.

Portfolio as at 31 December 2016 – Top 10 Largest Investments

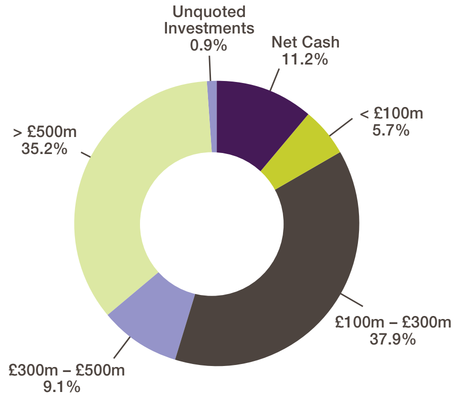
Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2016	% of invested portfolio at 30 June 2016	% of net assets
Equiniti Group	Support Services	Mar 2016	14,108	16,104	11.6	6.6	10.3
E2V Technologies	Specialist Electronics	Oct 2009	4,238	15,782	11.3	10.8	10.0
Servelec Group	Software & Computer Services	Dec 2013	13,107	15,409	11.0	8.5	9.8
Clinigen Group	Pharmaceuticals	Jul 2014	9,365	13,310	9.5	10.5	8.5
Wilmington Group	Media	Oct 2010	8,751	12,329	8.8	9.5	7.8
Tribal Group	Software & Computer Services	Dec 2014	14,034	11,066	7.9	7.4	7.0
EMIS Group	Software & Computer Services	Mar 2014	8,123	10,176	7.3	9.2	6.5
4imprint Group	Support Services	Feb 2006	1,372	9,523	6.8	7.7	6.1
IFG Group	Financial Services	Apr 2015	8,736	9,185	6.6	7.5	5.8
Goals Soccer Centres	Leisure	Mar 2012	9,379	6,525	4.7	4.4	4.2

Portfolio as at 31 December 2016

Sector split by industry



Size split by market capitalisation



Portfolio Characteristics as at 31 December 2016

Consensus Median portfolio characteristics	Strategic Equity Capital	FTSE SmallCap ex Investment Trusts	FTSE SmallCap ex Investment Trusts ex Resources
Price/Earnings ratio (FY1)	16.4x	12.6x	12.4x
Dividend yield	2.4%	3.1%*	3.7%*
Price/Book ratio	3.0x	1.4x	n/a
Price/Sales ratio	1.8x	0.7x	n/a
Price/Cashflow ratio	14.4x	n/a	n/a
GVQIM Cashflow yield**	9.0%	n/a	n/a
Forecast earnings growth (FY1)	13.0%	11.8%	10.9%
Forecast net debt to EBITDA	0.1x	1.7x	1.6x

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

* Dividend yield for the indices excludes non-payers. Portfolio excludes Vintage and Harworth Group

** GVQIM Cash Flow Yield: (12 Month Forward Cash EBITDA Minus Maintenance Capex)/(Market Capitalisation plus 12 month forward Net Debt).

Consistent with previous periods, the portfolio's aggregate valuation is higher than the constituents of the broader FTSE Small Cap Index. However, the portfolio companies enjoy less geared balance sheets and are forecast to grow earnings faster. It is worth noting that the relatively high dividend yield of the broader indices reflects the exclusion of companies that do not pay a dividend.

Two holdings have a disproportionate impact on the portfolio valuation, E2V (subject to a bid approach and enjoying a material premium) and Tribal (on a very high recovery p/e rating). Excluding these two investments, the forward p/e rating reduces to c.15x, with similar earnings growth and balance sheet to the overall portfolio – i.e. the "underlying" portfolio premium to the market is less extreme than the headline statistics.

Unlisted Investments

Over the period, the Company received a total 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.

Outlook

The calendar year has started positively with an improving earnings outlook and valuations that do not appear stretched. Recent approaches to UK quoted companies by overseas corporates indicate that others see attractive assets which are under priced by the market. We are mindful of systemic risks and their potential impact on the wider market and in turn, portfolio companies, but believe that within the portfolio holdings, there is attractive earnings growth and secular trends providing support. A number of companies are trading at considerable discounts to our views of their strategic value to trade acquirers and few portfolio companies have "poison pills" or similar which could frustrate bid approaches.

We aim to carry on generating a good positive NAV return over the medium and long term, whilst avoiding the greater pitfalls of substantial volatility by continuing to focus on a) valuations b) strong balance sheets c) preferring structural growth to cyclicals and d) companies which can deliver earnings growth through "self-help". We will also continue to engage with portfolio companies to promote value creation and try to avoid permanent value destruction. As a result, the bar for new investments will remain extremely high and we plan to maintain good cash liquidity.

Jeff Harris/Stuart Widdowson
GVQ Investment Management Limited
9 February 2017

Top 10 Investee Company Review
(as at 31 December 2016)

Equiniti Group is a business services company providing administration, processing payments services and technology products to typically FTSE350 companies and large public sector organisations. 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, as well as financial services companies regulatory and compliance functions. The business was founded with the buyout of Lloyds TSB Share Registrars by private equity house Advent International in 2007. Following the buyout the company added to its product and service capability through a number of targeted acquisitions. The company IPO'd in October 2015. Whilst it was well invested under private equity ownership, there are significant medium to long term opportunities through rationalising its UK office footprint as well as offshoring more activities to its base in India. Together with moderate organic growth we believe that the company has the potential to deliver high single digit/low double digit earnings growth, which should not be significantly impacted by the broad market cycle. The initial investment was made at a very attractive rating. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

E2V Technologies is a global market leader in the design and manufacture of specialist electronic components and low volume, high value, high reliability semi-conductors, predominantly for the medical, aerospace, defence and industrial markets. An ill-timed acquisition in September 2008 funded by debt left the balance sheet of the business overstretched as the economic downturn began. A new finance director, well known to us, was appointed in May 2009. The management team acted, raising new equity to pay down debt as well as restructure the UK and French cost base, a process which is now largely complete. The Company made its initial investment during December 2009 via a placing and a deeply discounted rights issue to refinance the balance sheet. During 2013, a new Chairman and CEO were appointed. We believe that the new CEO has made a substantial positive impact upon the business since his arrival. The company announced a recommended bid from Teledyne Technologies Inc in December 2016. Funds managed by the Investment Manager currently hold 5% of the company's equity.

Servelec Group is a UK technology company with three key divisions. The healthcare software division is a market leader in the design and operation of electronic patient records for NHS mental and community trusts. The controls division specifies, designs, assembles, installs and maintains safety and remote control systems for the oil & gas and process industries. The technologies division provides software, hardware and systems for industrial telemetry and SCADA applications. It was listed in November 2013, having previously been owned by a Singaporean-listed group. The company has a robust balance sheet. Cash conversion will be strong for the foreseeable future owing to the unwinding of a legacy trade debtor. In December 2014, it announced the acquisition of Corelogic. In July 2015, it announced the acquisition of Aura. In March 2016 it acquired Synergy from Tribal Group. Funds managed by the Investment Manager currently hold c.8% of the company's equity.

Clinigen Group is a speciality pharmaceutical and services company. It has four business units – Specialist Pharmaceuticals products, Clinical Trial Services, Managed Access and IDIS Global Access. Activities undertaken by these businesses include: acquiring, licencing and revitalising hospital-only critical care medicines; and providing patient access to its own or other pharmaceutical companies' products, whether to meet unmet medical needs or for use in clinical trials. The company has grown rapidly since its IPO in 2012, both organically and through targeted acquisitions. In April 2015 it acquired IDIS, a peer, for £225m through a mixture of debt and equity. Later in 2015 it also acquired Link Healthcare, a specialist pharmaceutical and medical business focused on the Asia, Africa and Australasia region. The company offers a compelling combination of strong organic growth and cash generation. Funds managed by the Investment Manager hold c.3% of the company's equity.

Wilmington Group provides business information and training services to professional business customers in the financial services, legal and medical sectors. More than 80% of revenues in the main publishing and information division are delivered digitally, typically on a subscription basis, and with high levels of client retention. The company is highly cash generative. Growth has been held back over the past few years owing to a significant fall, and no recovery, in its legal training market and

Top 10 Investee Company Review
(as at 31 December 2016) *(continued)*

the decline in some legacy print publications. This has masked strong growth in the rest of the business. The declining segments have now been either exited or stabilised. The company's strong cash flow has enabled it to make value-enhancing acquisitions again. In July 2015, it announced the acquisition of FRA for a maximum consideration of £13.2m. Funds managed by the Investment Manager currently hold c.5% of the company's equity.

Tribal Group is a global provider of products and services to the international education, training and learning markets. Over the past six years, the company has disposed of a number of activities to focus on the student records and administration systems. It has a high market share in a number of product niches and geographies. We believe that the company has the potential to grow through increasing its international sales in Australia and Canada, as well as updating and upselling to its existing UK customer base. Since November 2015 the company's Board has been completely refreshed, a non-core subsidiary sold and equity raised to strengthen the balance sheet. Funds managed by the Investment Manager currently hold c.10% of the company's equity.

EMIS Group is a specialist healthcare software and services provider. It is the UK market leader in the provision of electronic patient records for GPs, with a 55% market share. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. It has grown organically every year for 24 years and just under 80% of its revenues are recurring. It is very cash generative and has used this cash to augment its product portfolio through selective acquisitions. Funds managed by the Investment Manager currently hold c.3% of the company's equity.

4imprint Group is the fourth largest distributor of promotional products in the world with an international network of companies in the UK, USA, Hong Kong and Europe. We have been involved with the company since a change of management in 2003. Following the disposal of Brand Addition, virtually all of the profits of the group are generated by the fast-growing US business. The company has a significant net cash balance. Funds managed by the Investment Manager currently hold just under 3% of the company's equity.

IFG Group is a financial services holding company with two operating assets. London-based Saunderson House is an advisory-only wealth manager with more than £4bn assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans ("SIPPs"). Over the past few years, IFG has sold a number of other activities to focus on Saunderson House and James Hay. We believe that both of these businesses offer long-term structural sales growth, as well as scope to make higher margins. The shares are dual-listed in Dublin and London, the primary listing being in Dublin. The head office has moved recently to London. Comparative M&A multiples suggest that IFG shares trade at a considerable discount to its sum-of-the-parts valuation. Funds managed by the Investment Manager currently hold c.6% of the company's equity.

Goals Soccer Centres is a developer and operator of 5-a-side soccer centres in the UK, trading from 46 centres. In early 2012, the company announced that it would significantly reduce the speed of rolling out new sites for 12-18 months. Given that the roll-out of sites requires significant capital, the impact of this change was to increase the free cash generation of the business and drive a large degearing of its balance sheet. The entry valuation was a significant discount to precedent M&A – specifically the acquisition of its only major competitor, Powerleague, by Patron Capital in 2009. Following a period of weak operational and financial performance, the company's Board has been substantially refreshed. Funds managed by the Investment Manager currently hold c.9% of the company's equity.

GVQ Investment Management Limited
9 February 2017

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

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

Statement of Directors' Responsibilities, Going Concern, Principal Risks and Uncertainties

Statement of Directors' Reponsibilities

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements contained within the Half-Yearly Report has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' issued by the International Accounting Standards Board ("IASB") as adopted by the EU, and gives a true and fair view of the assets, liabilities, financial position and profit of the Company as required by Disclosure and Transparency Rule ("DTR") 4.2.4R;

- the Half-Yearly Report includes a fair review of the information required by:

  (a) DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8 of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This Half-Yearly Report was approved by the Board of Directors on 9 February 2017 and the above responsibility statement was signed on its behalf by Richard Hills, Chairman.

Going Concern

The Company has adequate financial resources to meet its investment commitments and, as a consequence, the Directors believe that the Company is well placed to manage its business risks. After making appropriate enquiries and due consideration of the Company's cash balances, the liquidity of the Company's investment portfolio and the cost base of the Company, the Directors have a reasonable expectation that the Company has adequate available financial resources to continue in operational existence for the foreseeable future and accordingly have concluded that it is appropriate to continue to adopt the going concern basis in preparing the Half-Yearly Report, consistent with previous periods.

Principal Risks and Uncertainties

For the Company, the overriding risks and uncertainties to an investor relate to the markets on which the Company's shares trade, and the shares of the companies in which it invests trade, may move outside the control of the Board.

The principal risks and uncertainties are set out on pages 20 and 21 of the Annual Report for the year ended 30 June 2016, which is available at www.strategicequitycapital.com.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

Statement of Comprehensive Income

for the six month period to 31 December 2016

		Six month period to 31 December 2016 unaudited			Year ended 30 June 2016 audited			Six month period to 31 December 2015 unaudited		
	Note	**Revenue return £'000**	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investments										
Gains/(losses) on investments held at fair value through profit or loss	6	**–**	**19,405**	**19,405**	–	(13,784)	(13,784)	–	(3,527)	(3,527)
Currency gains/(losses)		**–**	**1**	**1**	–	–	–	–	(2)	(2)
		–	**19,406**	**19,406**	–	(13,784)	(13,784)	–	(3,529)	(3,529)
Income										
Dividends	2	**1,265**	**–**	**1,265**	2,306	–	2,306	1,271	–	1,271
Interest	2	**23**	**–**	**23**	74	–	74	38	–	38
Other income	2	**–**	**–**	**–**	21	–	21	–	–	–
Total income		**1,288**	**–**	**1,288**	2,401	–	2,401	1,309	–	1,309
Expenses										
Investment Manager's fee	8	**(689)**	**–**	**(689)**	(1,419)	–	(1,419)	(727)	–	(727)
Investment Manager's performance fee	9	**–**	**(262)**	**(262)**	–	–	–	–	–	–
Other expenses	3	**(279)**	**–**	**(279)**	(632)	–	(632)	(340)	–	(340)
Total expenses		**(968)**	**(262)**	**(1,230)**	(2,051)	–	(2,051)	(1,067)	–	(1,067)
Net return before taxation		**320**	**19,144**	**19,464**	350	(13,784)	(13,434)	242	(3,529)	(3,287)
Taxation		**(17)**	**–**	**(17)**	(48)	–	(48)	(16)	–	(16)
Net return and total comprehensive income for the period		**303**	**19,144**	**19,447**	302	(13,784)	(13,482)	226	(3,529)	(3,303)
Return per Ordinary share		**pence**	**pence**	**pence**	pence	pence	pence	pence	pence	pence
Basic	5	**0.43**	**27.41**	**27.84**	0.44	(20.07)	(19.63)	0.34	(5.23)	(4.89)

The total column of the statement represents the Statement of Comprehensive Income. The supplementary revenue and capital 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 in the period.

The notes on pages 18 to 23 form an integral part of these Half-Yearly financial statements.

Statement of Changes in Equity

for the six month period to 31 December 2016

	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 six month period to 31 December 2016 unaudited								
1 July 2016		**6,986**	**31,737**	**38,932**	**57,574**	**2,264**	**868**	**138,361**
Net return and total comprehensive income for the period		**–**	**–**	**–**	**19,144**	**–**	**303**	**19,447**
Dividend paid	4	**–**	**–**	**–**	**–**	**–**	**(545)**	**(545)**
Shares bought back for treasury		**–**	**–**	**(93)**	**–**	**–**	**–**	**(93)**
31 December 2016		**6,986**	**31,737**	**38,839**	**76,718**	**2,264**	**626**	**157,170**
For the year to 30 June 2016 audited								
1 July 2015		6,258	16,330	38,932	71,358	2,264	1,100	136,242
Net return and total comprehensive income for the year		–	–	–	(13,784)	–	302	(13,482)
Dividend paid	4	–	–	–	–	–	(534)	(534)
Share issues		728	15,769	–	–	–	–	16,497
Share issue costs		–	(362)	–	–	–	–	(362)
30 June 2016		6,986	31,737	38,932	57,574	2,264	868	138,361
For the six month period to 31 December 2015 unaudited								
1 July 2015		6,258	16,330	38,932	71,358	2,264	1,100	136,242
Net return and total comprehensive income for the period		–	–	–	(3,529)	–	226	(3,303)
Dividend paid	4	–	–	–	–	–	(534)	(534)
Shares issues		728	15,769	–	–	–	–	16,497
Share issue costs		–	(362)	–	–	–	–	(362)
31 December 2015		6,986	31,737	38,932	67,829	2,264	792	148,540

The notes on pages 18 to 23 form an integral part of these Half-Yearly financial statements.

Balance Sheet
as at 31 December 2016

	Note	**As at 31 December 2016 unaudited £'000**	As at 30 June 2016 audited £'000	As at 31 December 2015 unaudited £'000
Non-current assets				
Investments held at fair value through profit or loss	6	**139,568**	125,157	128,598
Current assets				
Trade and other receivables		**106**	356	329
Cash and cash equivalents		**18,243**	13,303	20,101
		18,349	13,659	20,430
Total assets		**157,917**	138,816	149,028
Current liabilities				
Trade and other payables		**(747)**	(455)	(488)
Net assets		**157,170**	138,361	148,540
Capital and reserves:				
Share capital	7	**6,986**	6,986	6,986
Share premium account		**31,737**	31,737	31,737
Special reserve		**38,839**	38,932	38,932
Capital reserve		**76,718**	57,574	67,829
Capital redemption reserve		**2,264**	2,264	2,264
Revenue reserve		**626**	868	792
Total shareholders' equity		**157,170**	138,361	148,540
		pence	pence	pence
Net asset value per share				
Basic		**225.14**	198.06	212.63
		number	number	number
Shares in issue				
Ordinary shares	7	**69,808,891**	69,858,891	69,858,891

The notes on pages 18 to 23 form an integral part of these Half-Yearly financial statements.

Statement of Cash Flows
for the six month period to 31 December 2016

	Six month period to 31 December 2016 unaudited £'000	Year ended 30 June 2016 audited £'000	Six month period to 31 December 2015 unaudited £'000
Operating activities			
Net return before finance costs and taxation	**19,464**	(13,434)	(3,287)
Adjustment for (gains)/losses on investments	**(19,405)**	13,784	3,527
Currency (gains)/losses	**(1)**	–	2
Irrecoverable withholding tax	**(17)**	(48)	(16)
Operating cash flows before movements in working capital	**41**	302	226
(Increase)/decrease in receivables	**(52)**	37	(34)
Increase/(decrease) in payables	**292**	(2,324)	(2,291)
Purchases of portfolio investments	**(15,194)**	(43,867)	(21,091)
Sales of portfolio investments	**20,490**	26,243	10,380
Net cash flow from operating activities	**5,577**	(19,609)	(12,810)
Financing activities			
Equity dividend paid	**(545)**	(534)	(534)
Shares bought back in the period	**(93)**	–	–
Shares issued	**–**	16,497	16,497
Share issue expenses	**–**	(362)	(362)
Net cash flow from financing activities	**(638)**	15,601	15,601
Increase/(decrease) in cash and cash equivalents for period	**4,939**	(4,008)	2,791
Cash and cash equivalents at start of period	**13,303**	17,312	17,312
Revaluation of foreign currency balances	**1**	(1)	(2)
Cash and cash equivalents at end of the period	**18,243**	13,303	20,101

The notes on pages 18 to 23 form an integral part of these Half-Yearly financial statements.

Notes to the Financial Statements

for the six month period to 31 December 2016

1.1 Corporate information

Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom, 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 Corporation Tax Act 2010.

1.2 Basis of preparation/statement of compliance

The condensed interim financial statements of the Company have been prepared on a going concern basis and in accordance with IAS 34, 'Interim financial reporting' issued by the International Accounting Standards Board (as adopted by the EU). They do not include all the information required for a full report and financial statements and should be read in conjunction with the report and financial statements of the Company for the year ended 30 June 2016, which have been prepared in accordance with IFRS as adopted by the EU. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the AIC (as revised in 2014) 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 condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial statements for the six month periods to 31 December 2016 and 31 December 2015 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2016 has been extracted from the latest published Annual Report and financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

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.

Segmental reporting

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

1.3 Accounting policies

The accounting policies, presentation and method of computation used in these condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 30 June 2016.

1.4 New standards and interpretations not applied

Implementation of changes and accounting standards in the financial periods as outlined in the financial statements for the year ended 30 June 2016 had no significant effect on the accounting or reporting of the Company.

2. Income

	Six month period to 31 December 2016 unaudited			Year ended 30 June 2016 audited			Six month period to 31 December 2015 unaudited		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Income from investments:									
UK dividend income	**1,178**	**–**	**1,178**	2,048	–	2,048	1,183	–	1,183
Overseas dividend income	**87**	**–**	**87**	258	–	258	88	–	88
	1,265	**–**	**1,265**	2,306	–	2,306	1,271	–	1,271
Liquidity interest	**23**	**–**	**23**	74	–	74	38	–	38
	1,288	**–**	**1,288**	2,380	–	2,380	1,309	–	1,309
Other income:									
Underwriting commission	**–**	**–**	**–**	21	–	21	–	–	–
	1,288	**–**	**1,288**	2,401	–	2,401	1,309	–	1,309
Total income comprises:									
Dividends	**1,265**	**–**	**1,265**	2,306	–	2,306	1,271	–	1,271
Liquidity interest	**23**	**–**	**23**	74	–	74	38	–	38
Underwriting commission	**–**	**–**	**–**	21	–	21	–	–	–
	1,288	**–**	**1,288**	2,401	–	2,401	1,309	–	1,309
Income from investments:									
Listed UK	**1,178**	**–**	**1,178**	2,048	–	2,048	1,183	–	1,183
Listed overseas	**87**	**–**	**87**	258	–	258	88	–	88
Liquidity interest	**23**	**–**	**23**	74	–	74	38	–	38
	1,288	**–**	**1,288**	2,380	–	2,380	1,309	–	1,309

3. Other expenses

	Six month period to 31 December 2016 unaudited			Year ended 30 June 2016 audited			Six month period to 31 December 2015 unaudited		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	**55**	**–**	**55**	98	–	98	49	–	49
Auditors' remuneration for:									
Audit services	**12**	**–**	**12**	22	–	22	17	–	17
Directors' remuneration	**70**	**–**	**70**	129	–	129	67	–	67
Other expenses	**142**	**–**	**142**	383	–	383	207	–	207
	279	**–**	**279**	632	–	632	340	–	340

Notes to the Financial Statements

for the six month period to 31 December 2016 *(continued)*

4. Dividend

The Company paid a final dividend of 0.78p in respect of the year ended 30 June 2016 (30 June 2015: 0.78p) per Ordinary share on 69,858,891 (30 June 2015: 68,483,891) shares, amounting to £544,899 (30 June 2015: £534,174). The dividend was paid on 16 November 2016 to Shareholders on the register at 14 October 2016. In line with previous years, the Board does not intend to propose an interim dividend.

5. Return per Ordinary share

	Six month period to 31 December 2016			Year ended 30 June 2016			Six month period to 31 December 2015		
	Revenue return pence	**Capital return pence**	**Total pence**	Revenue return pence	Capital return pence	Total pence	Revenue return pence	Capital return pence	Total pence
Return per Ordinary share	**0.43**	**27.41**	**27.84**	0.44	(20.07)	(19.63)	0.34	(5.23)	(4.89)

Returns per Ordinary share are calculated based on 69,849,652 (30 June 2016: 68,687,443 and 31 December 2015: 67,528,728) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

	31 December 2016 £'000
Investment portfolio summary	
Listed investments at fair value through profit or loss	**138,150**
Unlisted investments at fair value through profit or loss	**1,418**
	139,568

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

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

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

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

6. Investments *(continued)*

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 International Private Equity and Venture Capital ("IPEV") Valuation Guidelines.

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.

Financial instruments at fair value through profit and loss as at 31 December 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total** **£'000**
Equity investments and limited partnership interests	138,150	–	1,418	**139,568**
Liquidity funds	–	17,870	–	**17,870**
Total	138,150	17,870	1,418	**157,438**

The below table presents the movement in level 3 instruments for the period ended 31 December 2016 by class of financial instrument.

	Equity investments **£'000**
Opening balance at 1 July 2016	**1,648**
Proceeds from disposals during the period	**(326)**
Gains on disposals during the period	**308**
Total losses for the period included in the Statement of Comprehensive Income	**(212)**
Closing balance at 31 December 2016	**1,418**

Investments in unquoted investment funds are generally held at the valuations provided by the managers of those funds. The valuation for Vintage I is as at 30 November 2016.

There were no transfers between levels for the period ended 31 December 2016.

6. Investments *(continued)*

A list of the top ten portfolio holdings by their aggregate market values is given in the Investment Manager's Report on page 9.

	31 December 2016 Total £'000
Analysis of capital gains:	
Gains on sale of investments	8,413
Movement in investment holding gains	10,992
	19,405

7. Share capital

	Number	31 December 2016 £'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2016	69,858,891	6,986
Ordinary shares of 10p each held in treasury	(50,000)	(5)
Ordinary shares in circulation at 31 December 2016	**69,808,891**	**6,981**

During the period to 31 December 2016 50,000 Ordinary shares bought back by the Company and held in treasury.

8. Investment Manager's fee

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

The Investment Manager is also entitled to a performance fee, details of which are set out below.

9. Performance Fee Arrangements

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

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

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

9. Performance Fee Arrangements *(continued)*

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

A performance fee of £262,000 has been accrued in respect of the six months ended 31 December 2016.

10. Taxation

The tax charge for the half year is £17,000 (30 June 2016: £48,000; 31 December 2015: £16,000). The tax charge is wholly comprised of irrecoverable withholding tax. The estimated effective corporation tax rate for the year ended 30 June 2016 is 0%. This is because investment gains are exempt from tax owing to the Company's status as an investment company and there is expected to be an excess of management expenses over taxable income.

11. Capital commitments and contingent liabilities

The Company has a commitment to invest €1,560,000 in Vintage I (30 June 2016: €1,560,000; 31 December 2015: €1,560,000).

12. Related party transactions and transactions with the Investment Manager

The Investment Manager is regarded as a related party of the Company. The Investment Manager may draw upon advice from the Industry Advisory Panel ("IAP") of which Sir Clive Thompson, a Director of the Company, is a member. The IAP was established to provide advice to the Investment Manager in relation to the strategy, operations and management of potential investee companies.

The amounts payable to the Investment Manager, in respect of management fees, during the period to 31 December 2016 was £689,000 (30 June 2016: £1,419,000; 31 December 2015: £727,000), of which £341,000 (30 June 2016: £350,000; 31 December 2015: £368,000) was outstanding at 31 December 2016. The amount due to the Investment Manager for performance fees at 31 December 2016 was £262,000 (30 June 2016: £Nil; 31 December 2015: £Nil).

Directors and Advisers

Directors
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Sir Clive Thompson (Deputy Chairman)
William Barlow
Josephine Dixon
Richard Locke

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

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

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Shareholder Information

Financial calendar

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

Share price

The Company's Ordinary shares are listed on the main market of the London Stock Exchange. The mid-market price is quoted daily in the Financial Times under 'Investment Companies'.

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar, on 0370 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 24.

NAV

The Company's NAV 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

An investment company as defined under Section 833 of the Companies Act 2006
REGISTERED IN ENGLAND No. 5448627

A member of the Association of Investment Companies

STRATEGIC EQUITY CAPITAL PLC

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