STRATEGIC EQUITY CAPITAL PLC

REPORT & FINANCIAL STATEMENTS

for the year ended 30 June 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 17.

Investment Manager's Strategy

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

A more detailed explanation can be found in the Investment Manager's Report on page 6.

Shareholder Information

Financial calendar

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

Share price

The Company's Ordinary shares are premium 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 63.

NAV

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

Website

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

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Financial Summary

	At 30 June 2016	At 30 June 2015	% change
Capital return			
Net asset value ("NAV") (statutory) per Ordinary share	**198.06p**	217.69p	(9.0)%
Ordinary share price (mid-market)	**178.00p**	230.25p	(22.7)%
(Discount)/premium of Ordinary share price to NAV	**(10.1)%**	5.8%	
Average premium/(discount) of Ordinary share price to NAV for the year	**1.6%**	(1.1)%	
Total assets (£'000)[1]	**138,816**	139,114	(0.2)%
Equity Shareholders' funds (£'000)[1]	**138,361**	136,242	1.6%
Ordinary shares in issue with voting rights[1]	**69,858,891**	62,583,891	11.6%

	Year ended 30 June 2016	Year ended 30 June 2015
Performance		
Total return for the year[2]	**(8.7)%**	25.8%
Ongoing charges[3]	**1.40%**	1.38%
Revenue return per Ordinary share	**0.44p**	0.99p
Dividend yield[4]	**0.4%**	0.4%
Proposed final dividend for year	**0.78p**	0.78p

Year's Highs/ Lows	**High**	**Low**
NAV per Ordinary share	222.69p	188.33p
Ordinary share price	241.50p	178.00p

[1] *The Company's sixth tender offer took place in November 2014. As a result 109,722 shares were bought back and held in treasury at a cost of £182,582. During the period January 2015 to June 2015, the Company issued 5,407,878 shares for a consideration of £11,711,869. The Company has issued 7,275,000 shares during the year to 30 June 2016 raising gross proceeds of £16,497,000 under its Share Issuance Programme.*

[2] *Total return is the (decrease)/increase 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 share price.*

Directors

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

Richard Hills (Chairman) – Independent Director

Mr Hills has substantial investment trust board experience and is currently on the boards of JPMorgan Income & Capital Trust plc and Henderson International Income Trust plc and is chairman of GLI Alternative Finance plc. He is also chairman of Aztec Group Ltd which is one of the largest Channel Islands private equity fund administrators. Mr Hills was appointed to the Board on 5 March 2014.

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

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

William Barlow – Independent Director

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

Josephine Dixon – Independent Director

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

Richard Locke – Independent Director

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

Strategic Report

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

Chairman's Statement

Introduction

Following several years of growth, the Company's NAV declined during the year ended 30 June 2016. This was caused by a combination of trickier markets as well as some disappointing portfolio newsflow. The Investment Manager has been active in working with other stakeholders to help stabilise the underperforming companies and some of the benefits of this work have already come through in the period. Further details on the Company's portfolio are included in the Investment Manager's Report on pages 6 to 14.

Performance

Over the year to 30 June 2016, the NAV per share fell from 217.69 pence to 198.06 pence, a decrease of 9.0%. On a total return basis (i.e. including dividends), the Company's NAV per share fell by 8.7%, which was greater than the fall in the FTSE Small Cap ex Investment Trusts Total Return Index ("FTSE Small Cap Index"), which decreased by 3.7%.

Shareholders' funds increased despite weakening performance due to the increase in the number of shares in the period.

The share price return during the year was lower than the NAV return. This was because the Company's shares moved from trading at a considerable premium to NAV at the start of the period to a discount of c.10% at the end. The discount widened suddenly in June as a result of low trading volumes during the market turmoil following the UK Referendum result to leave the EU ("UK Referendum"). When dividends are included, the total return of the share price was a negative 22.4%. Since the end of the period, the discount has returned to a reduced and much narrower level.

During the year, two holdings had operational management issues which were reflected in poor NAV performance. The Board believes that the actions taken by both of these companies to strengthen their boards and executive management will lead to a significant improvement in their business over the medium term. These investments are covered more fully in the Investment Manager's Report.

The Company has delivered a NAV total return per share of 59.2% over the past three years, exceeding the 30.9% return from the FTSE Small Cap Index by more than 28%. Its five year NAV total return per share growth of 96.5% has exceeded the FTSE Small Cap Index return by 26.7%.

Discount Management

The average premium to NAV of the Company's shares was 1.6% compared with 1.1% discount in the prior year. However, this masks considerable volatility seen across the period. The year began with the shares trading at a significant premium to NAV, driven by ongoing buying demand. This was, in part, due to purchases by index funds which in turn was driven by the inclusion of the Company's shares into the FTSE All-Share and FTSE Small Cap indices. During this period, the Company was unable to issue sufficient shares to satisfy demand. Following the implementation of the Share Issuance Programme in August 2015, the Company was then able to issue sufficient shares to manage the premium at which the shares traded. The market sell-off in mid-January 2016 coincided with investors becoming more risk averse. Alongside many similar investment trusts, the Company's shares experienced a de-rating and began trading at a discount. Between this period and the UK Referendum, the shares traded between a discount of 7% and a small premium to NAV. In the immediate aftermath of the UK Referendum, the discount widened on low volumes to end the period at 10.1%.

The Board will continue to monitor closely the premium/discount to NAV at which the Company's shares trade. If the Company's shares trade at an unacceptable discount over a sustained period in the future, the Board will consider what action to take including, inter alia, the re-introduction of tender offers.

Dividend

The Directors continue to expect that returns for Shareholders will derive primarily from the capital appreciation of the shares rather than from their dividends. The Board is proposing to maintain a final dividend of 0.78p per Ordinary share for the year ended 30 June 2016 (0.78p in 2015), payable on 16 November 2016 to Shareholders on the Register as at 14 October 2016. This will necessitate using some of the Company's distributable reserves in addition to the current year's earnings.

Chairman's Statement *(continued)*

Development of the Company

The Board has been keen to see an increase in the size of the Company for two reasons. Firstly, this helps increase liquidity in the shares and secondly, it reduces the total expense ratio. In recent years, at Annual General Meetings, Shareholders have voted in favour of a Resolution to allow the Directors to issue pre-emptively new shares equivalent to a maximum of a 10% increase in the Company's share capital. During the early part of the period it became evident that demand for new shares was so large that this facility would be fully utilised and the share price was in danger of being driven to an excessively large premium. In order to avoid this outcome the Directors, with Shareholder support, introduced a placing programme for up to 20 million new shares. In the event only 7.3 million shares were issued by the closing date of the programme on 2 August 2016. The reason for this was that the Directors and the Investment Manager were keen to use this facility cautiously and not to overload the market with too many new shares. The placing programme was a success in that the rise in the share premium was contained, the size of the Company was increased and since the new shares were issued at a premium to NAV existing Shareholders did not bear any of the costs of the issues.

While the Board acknowledges the discount to NAV at which the Company's shares currently trade, it remains minded to grow the Company over time through further equity issuance provided that such issuance is not dilutive to NAV. This objective will be achieved gradually and will depend on a number of factors such as performance, market background and demand for new shares, as well as the ability of the Investment Manager to deploy further capital given the specialist nature of the investment strategy in smaller companies. As always the Board considers the interests of existing Shareholders as paramount and would not issue new shares if it felt that this would be detrimental to these interests.

The Board

The Company continued its process of Board refreshment during the year. As previously announced to the market, William Barlow was appointed as a non-executive Director of the Company in February 2016. William comes with considerable experience of the investment trust sector which will be of great assistance to the Board.

Change of Company Secretary and Administrator

During the year, the Management Engagement Committee undertook a review of the provision of Company Secretarial and Administrative services. As a result of this process, a recommendation was made to, and agreed by, the Board to appoint Personal Assets Trust Administration Company Ltd ("PATAC") as the Company's new Company Secretary and Administrator with effect from 1 October 2016. The Board would like to thank Capita Sinclair Henderson Limited for its service to the Company since its launch in 2005.

Change of Auditor

As previously announced, the Company undertook an audit tender process in December 2015. As a result of this process, the Board appointed KPMG LLP as the Company's new Auditor with effect from 17 February 2016. Accordingly, KPMG LLP have conducted the statutory audit of the Company for the year ended 30 June 2016. Further details regarding the change of Auditor can be found in the Audit Committee Report on pages 33 and 34.

Gearing and Cash Management

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

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

Annual General Meeting

We hope that as many Shareholders as possible will attend the Company's Annual General Meeting, which will be held on 9 November 2016 at 12 noon at the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR. This will be an opportunity to meet the Board and to receive a presentation from the Company's Investment Manager.

Outlook

The new financial year has started with stock markets, both at home and overseas, assessing the impact of the UK Referendum result. However, the full impact on the medium to long-term prospects for many quoted companies will be unclear for some time. The Board shares the Investment Manager's belief that the potential negative impact of the UK Referendum result on the Company's portfolio is likely to be dampened by its relatively low exposure to domestic cyclical investments and the relatively high level of overseas earnings generated.

The prospects for many portfolio companies appear sound and in aggregate these companies are virtually ungeared and are forecast to have better growth potential than the broader, smaller companies sector. The Investment Manager has maintained a cautious approach to cash balance management which, in the main, has been helpful to long-term performance and has allowed for agile investing as and when blocks of stock have become available or enabling participation in secondary fundraisings.

The current investment environment, albeit with short-term uncertainties, is likely to offer some attractive long-term investment opportunities. The closed-ended nature of the Company provides the Investment Manager with a useful tool to capitalise on these opportunities as and when they arise. The Board remains confident that the investment team will be able to produce good absolute and relative returns in the medium to long term.

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

Richard Hills
Chairman
20 September 2016

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

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

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

We consider 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 and ended with geopolitical events dominating the investment agenda. The Greek banking crisis was "fixed" in early July 2015, before markets began to fret about slowing growth in China. During the rest of the period, markets became ever more concerned, with global growth continuing to disappoint, as well as the systematic risks posed by the weak Eurozone banking sector. The shares of many European banks continue to trade on very significant discounts to book value, indicating an element of distress.

The unanticipated result of the UK Referendum in the final weeks of the period caused considerable market volatility – both in UK and European equity markets – and led to a significant depreciation of Sterling.

Larger companies outperformed small and mid size companies over the period, in part reflecting their greater liquidity and exposure to non-Sterling earnings. The FTSE 100 Index delivered a total return of 3.8% and was the only broad index to deliver a positive return. Over the year, there was considerable volatility in commodity prices which had an influence on the market's performance. The price of oil more than halved from $63 per barrel at the start of the period to the trough of $28 in late January 2016, prior to recovering to finish the period at $50. Other hard commodities experienced similar gyrations. In a reversal from the prior period, the FTSE 350 Oil & Gas Producers Index rose by 21.3%, with the sector contributing disproportionately to the return of the FTSE 100 Index. Conversely, the mining sector detracted over the period with the FTSE 350 Mining Index falling by 12.5%. However, this masks a much larger fall to January 2016, before a significant rally in the sector.

The FTSE 250 Index fell by 5.7% and the FTSE Small Cap Index fell by 3.7% over the period, both measured on a total return basis. With many more domestically exposed companies than the FTSE 100 Index, these indices performed particularly badly in June following the UK Referendum result. The FTSE AIM All-Share Index also fell over the period, delivering a negative total return of 5.0%.

Within the UK Smaller Companies sector, it seemed to be a period of two very distinctive halves. The first six months witnessed what we believed to be a growth/momentum market, with share prices of many companies being driven ever higher on low trading volumes. In the second half of the period, markets were more unsettled. A sell-off in January was followed by a modest recovery through March, April and May, before markets plunged at the very end of June. Overall, discounts in the UK Smaller Companies investment trust sector narrowed to a low at the end of December 2015, before widening out in the second half of the period, and widening materially after the UK Referendum result.

Mergers and Acquisitions ("M&A") activity among UK quoted smaller companies is at a much lower level than that seen over the past decade. However, given the devaluation in Sterling, we expect foreign bargain hunters to appear and a marked increase in M&A is likely.

Performance Review

The long-term nature of our investment approach and the relatively low liquidity of holdings in smaller companies mean that there is always a need to think ahead. We must be prepared to be nimble and respond quickly to sudden changes, opportunities and short-term challenges. In fact, there are many commonalities with sailing.

In sailing it is important to adjust the amount of sail to suit the wind conditions. In heavy winds, it is necessary to reduce the sail area (a process called "reefing") to maintain the balance of a yacht or dinghy, allowing it to perform better as well as acting as a safety precaution. An old sailing saying goes "The first time you think of reducing sail (i.e. reefing), you should do so". The main reason for thinking ahead is it is much more challenging, time consuming and potentially dangerous to reef once heavy weather and winds have arrived.

In last year's Annual Report, we commented that we did not expect that future returns would match those of the past few years and that general market risks were increasing. We also set out tactics which we believed would help to protect and grow the NAV over the medium to long term. The maintenance of a strong cash position and rebalancing the portfolio away from cyclical companies towards structural growth companies could be considered akin to making a modest "reef".

This caution has proven to be well-founded. However, despite (in our view) adopting an appropriate tactical approach, the short-term NAV performance over the last year has been disappointing. Whilst avoiding domestic cyclical companies has been the right decision, particularly in the aftermath of the UK Referendum, negative stock-specific issues at three portfolio companies have more than counterbalanced favourable overall positioning. One of the advantages of a concentrated portfolio is that when challenges do occur in portfolio companies, we can invest the time to evaluate fully the causes of problems and consider options to remedy them. Where a lack of liquidity usually precludes the ability to exit the position in short order, we also have the time, experience and network to work with other stakeholders as and when appropriate to resolve underperforming situations where fresh approaches are needed.

We believe that the disappointing short-term performances experienced at Goals and Tribal over the period were largely management related, and it is notable that both companies have refreshed all but one of their directors since November 2015. In the case of Servelec, we believe that the profit warning issued in June was end market and customer related, leading to a delay in new business, rather than any structural weakness in the business or long-term deterioration of market opportunities or competitive position.

The portfolio's broad positioning led to a pleasingly resilient performance in the immediate aftermath of the UK Referendum result. Market volatility was extreme in this period and since 23 June we have experienced trading days where, despite no portfolio newsflow, the concentrated nature of the portfolio has led to performance deviating from broader smaller company indices by up to 250 basis points. In these market conditions, we believe that short-term performance might not necessarily be reflective of the progress being made by portfolio companies.

Top 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
IFG Group	9,349	130
4imprint Group	9,598	97
IDOX	–	35
Vintage	1,648	33
Clinigen Group	13,086	25

IFG Group, the listed financial services business, delivered a total shareholder return of 29% over the year. This performance was driven by an earnings recovery in James Hay, its investment platform business. The shares appear to have de-rated on a P/E basis over the year, despite the cash balance continuing to rise (i.e. the ex cash P/E de-rating is even higher). Encouragingly volumes of shares traded in London (where it is only a standard listed company) have picked up of late. We believe this is an indication of more interest from UK based institutional investors. At the time of our initial investment in IFG, we believed that only a very limited amount of the shares were held by UK Smaller Company institutional funds. We believe that this is now rising steadily.

4imprint Group delivered a total shareholder return of 23.9% over the year. The group has continued to deliver organic sales and earnings growth of c.20% in US Dollars (sales are predominantly to the US market). The company reports in US Dollars. The strengthening of the US Dollar against Sterling aided the share price performance over the year – in US Dollars the shares returned only 4.5% over the period, implying a de-rating of the shares in US Dollar terms. The $9m investment in the facility in Oshkosh was completed, giving the business the capacity to double in size again with no further material capital expenditure. Other initiatives have been undertaken to reduce the absolute size of the pension fund and its deficit, which is uninsured. We believe that the size of the scheme and the deficit are no longer material considerations to the ongoing investment case.

Investment Manager's Report *(continued)*

IDOX, the provider of software to public sector organisations, was a new investment made in August 2015. It was fully exited in April 2016 following a re-rating which was faster than anticipated. The final tranche of shares was sold at a 40% premium to the purchase price and the investment generated an IRR of in excess of 90%.

Vintage, the private equity fund of funds, delivered a positive return, driven by an increase in the valuations of the underlying funds, many of which are invested in overseas companies and have benefited from the depreciation of Sterling. Vintage is now mature and in run-off.

Clinigen Group shares were volatile over the period. The shares began the period performing well as the market continued to react favourably to the complementary acquisition of IDIS as detailed in the half-yearly report. However, the shares de-rated in the second half of the period. This was driven by market concerns over the achievability of the projected results for the year ending June 2016, given the implied heavier profit and sales weighting on the second half. Over the period, we became more comfortable about the company hitting projections and as a result increased the holding materially through the latter part of the financial year.

Outside of the top five contributors, **OMG** continued to perform well, with the shares delivering a total return of 12.5% over the period. The financial performance of the two remaining profitable divisions, Vicon and Yotta, continues to be positive. We believe that the shares remain attractively rated given the IP within the company and the current trading performance.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Goals Soccer Centres	5,530	(352)
Tribal Group (incl Nil Paids)	9,269	(294)
E2V Technologies	13,512	(193)
Servelec Group	10,676	(187)
Tyman	5,414	(106)

Goals Soccer Centres released two disappointing trading updates in the first half of the period as detailed in the half-yearly report. The shares continued to de-rate materially between January and the end of March, despite trading being in line with revised expectations. We believe that this de-rating was driven by market concerns over the level of the company's gearing. In early June, the company announced a well-supported placing of shares at close to the then prevailing share price. At the same time, the recently appointed executive chairman announced the results of his initial review of the business. The proceeds of the cash raised are being used for three purposes: to reduce gearing; accelerate a refresh of older pitches at some of the UK centres and modernise club houses; and fund the development of an additional site in the USA. Since the beginning of 2016, the incoming chairman has overseen a wholesale refresh of the company's board, with the appointment of a new CEO and new non-executive directors. The new executive chairman has set out a detailed strategic plan for the company to re-invigorate its customer proposition and its long-term financial performance.

Tribal Group was a considerable detractor to performance in the first part of the period, as detailed in the half-yearly report. It is pleasing to note the significant improvement in performance in the second half of the period. The new chairman and senior non-executive director, appointed in November 2015, acted swiftly and decisively to stabilise the business. In February, a new CEO was appointed, which started a significant and prolonged recovery in the company's share price. The new CEO is well known to us, as he served as CEO of Allocate Software, in which the Company was invested from 2009 to 2014. We believe he brings highly relevant skills and energy to Tribal. A few weeks after the appointment, Tribal announced the sale of its Synergy subsidiary to Servelec for an attractive cash consideration. This enabled the previously announced, fully underwritten rights issue to be significantly reduced, leading to a lower cash call on investors and less dilution. The shares reacted positively again to this news. The rights issue completed in mid April, and the company is now forecast to have an ungeared balance sheet. A new finance director, with highly relevant industry experience, was announced at the end of April and he joined the company at the end of the period. Whilst this has been a challenging investment to date, thanks to the considerable efforts made by incoming board members, we believe that the company is on the road to recovery. Its products enjoy high market shares and we believe the company has strategic value over and above that which might be implied by its current financial performance. We note that Jenzabar, a peer of Tribal based in North America, has acquired c.9% of the issued share capital of the company through buying shares and nil-paid options in the market since March 2016.

After its stellar run in the previous year, **E2V Technologies** gave back some of its performance due to a de-rating of the shares. Despite many companies in its sector issuing profit warnings or reducing estimates during the period, E2V matched its profit expectations for its financial year ended March 2016. The market de-rated the shares relative to its broader peer group and due to concerns (unwarranted in our view) of the working capital absorption during the year. We believe that the working capital position is temporary and should unwind during the current financial year. At the end of the period, the company's shares appeared considerably undervalued relative to its peers and what we believe to be its intrinsic value. The transformation of manufacturing at its Chelmsford site continues to make good progress, which augurs well for future returns.

Servelec Group's share price performance was highly volatile during the year. The shares performed exceptionally well until June, due to the achievement of its forecasts, a re-rating and a positive response to its acquisition of Synergy from Tribal. The strength of the share price was used to reduce the holding over this period. In the middle of June, the company released a profit warning driven by a combination of unrelated bad news across all three of its trading divisions. The health and social care software business had been anticipating winning new business through the year and during 2017 and 2018 through the "North Refresh" – the re-procurement of multiple Childrens, Community and Mental Health Trust electronic patient record systems across the North, Midlands and East of England. In mid-June, the company was informed by the health authorities that this reprocurement would be delayed. At the same time, the company was informed by its major oil and gas client that it wished to delay the start of automating control and safety systems for two offshore production platforms. Although the company was told by both parties that the delays were timing issues, the directors decided to inform the market and profit guidance was reduced to remove all revenues from these activities from the forecasts. This led to a significant fall in forecasts and a further de-rating of the shares. Whilst we had been taking profits from March through to June, the fall in the share price had a significant negative impact on the NAV. We believe that the profit guidance has been reduced to an extremely conservative level and the medium to long-term balance of risk appears skewed to the upside. We consider that the shares now trade at a considerable discount to their Sum-of-the-Parts valuation.

Tyman's shares were volatile and generally weak over the period. The key North American residential market failed to grow at the pace of industry expectations during 2015, leading to lower than anticipated profits in the year. However, 2016 has started well. In addition, the company announced the acquisitions of Giesse and Bilco to strengthen its product lines in the European and US commercial markets respectively. A small placing of equity was undertaken in June to help fund the Bilco acquisition. Although the company's earnings have benefited from the translation of overseas earnings of late, as well as the enhancement from acquisitions, the shares have not performed well over the year. We believe that the market is concerned about the general medium-term outlook for earnings, given the cyclical nature of some markets, as well as the increased financial gearing of the company. Whilst we believe this remains a quality company, with strong market positions and a high quality management team, the position has been reduced selectively over the year to fund new and existing investments in less cyclical areas.

The average cash balance in the Company's portfolio was 11.0% over the period, reflecting both the Board's and the Investment Manager's conservative approach to gearing and the desire to retain the ability to participate in block transactions at short notice without being a forced seller of other holdings. The level of net cash at the end of the period was 9.5%, slightly lower than the 10.9% at the beginning of the period.

Dealing Activity

The level of portfolio activity was higher than in recent years, driven by M&A activity, as well as the deployment of capital raised through the issuance of Company shares. Disposals netted £25.4m (excluding distributions from unlisted investments) representing around 17.5% of the weighted average NAV. In addition, £0.8m of total proceeds were received from unlisted investments. £43.8m of purchases were made, representing 30.3% of the weighted average NAV.

The small remaining positions in **Journey Group, Lavendon** and **XP Power**, were exited over the period. Unusually, the relatively small £1.9m investment in **IDOX** was both initiated and realised within the period after the shares re-rated much faster than anticipated.

Investment Manager's Report *(continued)*

The largest new investment made over the year was the purchase of £8.6m in shares in **Equiniti Group**. The company is a technology-enabled business services provider. It has a diverse portfolio of products and services, typically aimed at FTSE 350 companies. The company IPO'd in late 2015, having been owned by the well-regarded private equity firm Advent International since 2007. We believe that the company's sales and earnings are resilient and organic sales growth should range between 3-7% per annum across the cycle. In addition, we believe there is scope for earnings growth to exceed sales growth through further initiatives to reduce its operational complexity, as well as gradual offshoring of more of its labour intensive administrative operations. The company's IPO was unfortunately timed, and it was eventually priced at the bottom end of the pricing range. The shares performed badly in the aftermarket, despite the company meeting expectations. The investment was made partially through market purchases and via participation in a placing where Advent sold down part of their residual investment.

An investment of just less than £0.8m was made in **Iomart Group**, a UK hosting company, in January, as part of a placing of shares by a large holder wishing to exit the position. The company has a good record of high single digit organic growth, combined with high earnings visibility and a track record of accretive M&A.

Further market purchases were made in **IFG Group** (£2.1m) and **E2V Technologies** (£1.6m) over the period. £1.3m was invested in the placing of **Goals Soccer Centres** shares, to avoid the existing holding being diluted.

Market volatility of some portfolio company share prices during the year led to significant buying and selling of some holdings, with a net £3.1m realised from reducing the weight in **Tyman** over the period. A further net £1.8m was realised from taking profits in **Brooks MacDonald**, following a material re-rating during the latter part of 2015. £1.3m net was realised from taking profits in **Gooch & Housego**.

The strong performance of **Clinigen** at the beginning of the period led to modest top slicing. These shares were subsequently repurchased, and the position was increased considerably towards the end of the period when the share price was weak, leading to a net £2.9m additional investment. A net £0.5m was invested in **EMIS** over the period.

£8.0m net was invested in **Tribal Group** over the period, of which c.£2.4m was via participation in the rights issue and the purchase of nil paid rights. Unfortunately some of the investment was made during summer 2015 as detailed in the half-yearly report, prior to the significant fall in the share price. However, in early January 2016, and after careful consideration, we decided to increase the holding up to 10% of the company's issued share capital by buying in the market at extremely depressed levels. This has helped to reduce the average in-price of the investment materially. The strong share price performance in early June led us to take some small profits and enable some headroom to repurchase shares in adverse markets.

£1.6m net was invested in **Volution**, most of which was purchased in a secondary sell down by a large private equity shareholder.

Portfolio Review

At the end of the financial period, the portfolio remained highly focused, with a total of 18 holdings and the top 10 holdings accounting for 76% of the NAV. 98.8% of the portfolio was invested in quoted companies. The percentage of the portfolio invested in unlisted securities was stable at c.1.2%. At the period end, 9.5% of the NAV was invested in cash.

The sector exposure changes detailed in last year's Annual Report have continued, albeit at a more measured pace. Industrials have reduced from 8.4% of the NAV to 5.1%, due to profit taking from Tyman. Financials have increased from 8.1% to 9.3% due to the strong performance of Brooks Macdonald and IFG Group. Pharmaceuticals have increased from 7.4% to 9.5% due to the further investment in and positive attribution from Clinigen. The weighting to Electronics has fallen from 18.0% to 15.1%, following the exit of XP Power, profit taking from Gooch & Housego and the relative underperformance of E2V Technologies.

As a result of its move from the main market, where it was classified as a Support Services company, to AIM, we have re-allocated Tribal to Software and Computer Services. On a like-for-like basis, the exposure to Software and Computer Services has fallen slightly. The like-for-like exposure to Support Services has risen from c.7.0% to 13.2%, mainly due to the new investment in Equiniti.

As at the end of the period, underlying aggregated portfolio sales exposure to the UK, North America and European regions was 57%, 23% and 11% respectively, which has changed from 55%, 26% and 11% respectively at June 2015. Exposure to Asia is c.5%, and we believe that the majority of revenues derived from this region are US Dollar denominated. Given portfolio companies with international exposure typically have central overheads based in the UK, we believe that the underlying profit contribution from North America, Europe and Asia is higher than the sales exposure. The moderate increase in exposure to the UK has been as a result of the investment in Equiniti. The only UK Discretionary Consumer investment remains Goals Soccer Centres.

The majority of the decline in exposure to North America over the last year is due to continued profit taking from Tyman. We continue to believe that the exposure to periphery Europe is negligible. 92% of the sales exposure to Europe is generated by specialist electronics (including space, healthcare and industrial applications), pharmaceutical products and services and B2B media (largely healthcare). The underlying sales exposure mirrors our scepticism of a broad based European economic "recovery".

We reviewed the composition of the portfolio at the end of the period in light of the unexpected UK Referendum result, and contacted the management teams of the major holdings to discuss the implications of the result for their businesses. When considering changes to the portfolio, we evaluated a number of factors including: the broader sector exposure of the portfolio; earnings visibility and cyclicality; scope for enhanced operating margins through management initiatives; the strength of balance sheets; currency exposure; absolute valuation; and the cash balance in the portfolio. The outcome of this review was that we felt the portfolio was well placed and little re-shaping was necessary as a result of the UK Referendum result.

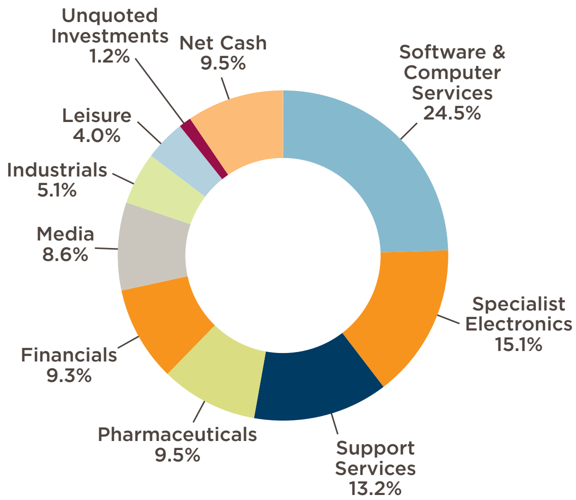
Portfolio as at 30 June 2016 – Top 10 Largest Investments

Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 30 June 2016	% of invested portfolio at 30 June 2015	% of net assets
E2V Technologies	Specialist Electronics	Oct 2009	4,383	13,512	10.8	12.5	9.8
Clinigen Group	Pharmaceuticals	Jul 2014	10,729	13,086	10.5	8.3	9.5
Wilmington Group	Media	Oct 2010	8,987	11,894	9.5	9.4	8.6
EMIS Group	Software & Computer Services	Mar 2014	9,498	11,476	9.2	8.8	8.3
Servelec Group	Software & Computer Services	Dec 2013	11,173	10,676	8.5	11.4	7.7
4imprint Group	Support Services	Feb 2006	1,864	9,598	7.7	7.0	6.9
IFG Group	Financial Services	Apr 2015	7,605	9,349	7.5	4.5	6.8
Tribal Group	Software & Computer Services	Dec 2014	13,474	9,269	7.4	4.7	6.7
Equiniti Group	Support Services	Mar 2016	8,611	8,266	6.6	–	6.0
Gooch & Housego	Specialist Electronics	Dec 2011	4,134	7,403	5.9	7.3	5.4

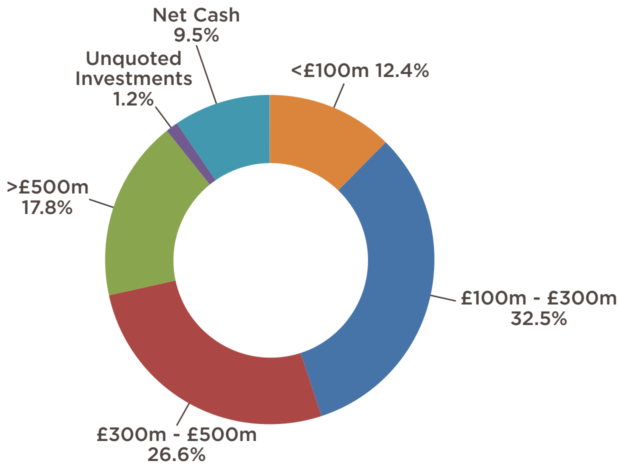
Investment Manager's Report *(continued)*

Portfolio as at 30 June 2016

Sector split by industry



Size split by market capitalisation



The operational performance of much of the portfolio remains solid. Those companies which have underperformed operationally during the period have largely new boards of directors and are well placed to start to deliver to their potential. In the case of Servelec, we believe that the recent trading reflects timing issues rather than operational issues. At the end of the period, the portfolio in aggregate had a neutral balance sheet.

Portfolio Characteristics

The following data is provided for informational purposes and should not be regarded as a performance measure. The performance of the Company is detailed in the Financial Summary on page 1.

Consensus median portfolio characteristics	Strategic Equity Capital	FTSE Small Cap ex Investment Trusts	FTSE Small Cap ex Investments Trusts ex Resources
Price/Earnings ratio (FY1)	15.5x	11.1x	11.2x
Dividend yield	2.3%	4.0%*	4.2%*
Price/Book ratio	3.1x	1.0x	n/a
Price/Sales ratio	1.7x	0.6x	n/a
Price/Cashflow ratio	14.1x	n/a	n/a
GVQIM Cashflow yield	10.2%	n/a	n/a
Forecast earnings growth (FY1)	14.6%	4.1%	5.8%
Forecast net debt to EBITDA	0.1x	2.2x	2.0x

Source: Factset Portfolio Analysis System, Peel Hunt. Index statistics include loss makers. * Dividend yield for the indices excludes non-payers.

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

Unlisted Investments

Over the period, the Company received a total of €0.8m 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 cash calls.

Outlook

In common with last year's outlook statement, we continue to believe that the next year will see mixed trading from quoted companies. With many companies operating at close to peak margins, combined with a low growth macro environment, companies that cannot benefit from structural growth or significant margin improvement initiatives, are likely to find material, organic, constant currency earnings growth challenging. Alongside this, there are many macro and geopolitical factors for these companies to navigate.

We would be surprised if the UK Referendum was the last geopolitical or economic shock of the current year. Many macro risks remain in the global economy, in an environment where the growth outlook continues to slow.

However, whilst these factors influence broader market conditions, the financial and operational performance of portfolio companies and potential investments we consider are more likely to be influenced by decisions taken by their management teams and demand conditions in their individual markets. Within our target investment universe, returns will be driven by three factors: earnings growth; rating changes (which will be impacted by the broader market as well as company specific factors); and M&A.

We believe that the prospects for earnings growth of smaller companies are likely to vary considerably. Companies with low growth prospects, challenged business models and little scope to improve margins are likely to struggle to make headway. In comparison, smaller companies operating in niches which are growing and/or where their financial performance is relatively unaffected by the geopolitical and macro economic gyrations of the global economy, are likely to continue to perform well. Uncertain times can bring opportunities as well as challenges and nimble smaller companies and quality management teams can often be well placed to capitalise on these opportunities.

There are competing influences on ratings in our investment universe. On the positive side, ratings (in absolute terms and relative to the FTSE 350) appear to be below long-term averages and smaller companies offer good growth prospects in a low growth environment. In addition, AIM shares offer significant inheritance tax benefits and there appears to be a relative shortage of high-quality non-resource AIM stocks with market capitalisations above £50m. We have not seen the impact of a prolonged period of outflows from a broad range of funds for many years and the recent market volatility does not yet appear to have led to material outflows in smaller company OEICs. The positive moves in the smaller company markets over the past few years have been driven by much lower liquidity than during the last cycle leading up to 2007. Within the market, we believe that investors may take a more cautious approach to company balance sheets, and more highly geared companies could de-rate. Our working assumption on ratings is to expect no material change over the next year.

The prospects for M&A look better than for some time. The fall in Sterling has made UK assets much "cheaper" for overseas investors, particularly where those UK companies have significant overseas earnings. Trophy assets may attract suitors. This is typified by the announcement post the period end of the bid for ARM Holdings by Softbank. In addition, the cost of borrowing remains very low, and in a low growth world, M&A offers an attractive, swift and accessible way for companies to grow. Statistics produced by Liberum imply that M&A among FTSE Small Cap companies as a % of the index market capitalisation is running at the lowest level since 2001.

In this environment, we believe that the portfolio is well placed. From an earnings perspective, the portfolio in aggregate has limited exposure to the UK consumer and there is very low exposure to cyclical companies based in Europe. Many companies have US Dollar earnings, which will provide a tailwind to earnings in the coming months. In addition, a number of holdings have significant opportunities to improve their efficiency, leading to scope for improved organic sales growth and/or cost efficiencies. The work done to strengthen the boards of a number of portfolio companies over the previous period should deliver benefits in the coming year.

At the end of the period, the aggregate portfolio company rating was looking more attractive than for some time – both in absolute terms and also relative to the aggregate growth prospects.

Investment Manager's Report *(continued)*

We believe that the strategic value of a number of holdings is significantly in excess of their current market ratings. We have consciously avoided investing in companies with significant pension deficits or poison pills. As a result, we believe that a prolonged period of under-valuation may act as a catalyst for M&A activity within the portfolio.

If markets and macro economic conditions were to worsen, gearing at the portfolio company level is modest and those companies which had weaker balance sheets have acted to strengthen them through equity issuance. In addition, the Company retains a strong net cash balance sheet. Given the risk of short-term market volatility, we plan to maintain cash at around the current level unless we find outstanding investment opportunities offering the potential for asymmetric returns (i.e. very low downside risk with a very strong chance of positive returns above our threshold). Equally, we will be proactive in reducing holdings if we believe that their share prices reflect too much of tomorrow's potential value today.

We will continue to seek out new investments offering reasonably priced structural growth, as well as very attractively priced good quality companies which may be unloved or underperforming, and where there is a clear opportunity to enhance shareholder value. The closed-ended nature of the Company enables us to take a long-term view on selecting and, where appropriate, engaging with portfolio companies. We will continue to put all of these advantages to best use.

Whilst optimistic about the medium and long-term prospects for markets and the portfolio in particular, we continue to anticipate short-term volatility. In sailing terms, we remain moderately "reefed" and are conscious of the old sailing term "When you think you are ready to take out a reef, have a cup of tea first". Or in other words, be sure that the storm has totally passed, and it is not merely a lull, before progressing more aggressively.

Stuart Widdowson/Jeff Harris
GVQ Investment Management Limited
20 September 2016

Top 10 Investee Company Review (as at 30 June 2016)

4imprint Group is the fourth largest distributor of promotional products in the world with an international network of companies in the UK, USA, Hong Kong and Europe. We have been involved with the company since a change of management in 2003. Following the disposal of Brand Addition, virtually all of the profits of the group are generated by the fast growing US business. The company has a significant net cash balance. Funds managed by the Investment Manager currently hold approximately 5% of the company's equity.

Clinigen 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. During the period under review, it also acquired Link Healthcare, a specialist pharmaceutical and medical business focused on the Asia, Africa and Australasia region. Strong cash generation should see the company de-gear rapidly over the next two years. Funds managed by the Investment Manager hold c. 3% of the company's equity.

E2V Technologies is a global market leader in the design and manufacture of specialist electronic components and low volume, high value, high reliability semi-conductors, predominately for the medical, aerospace, defence and industrial markets. An ill-timed acquisition in September 2008 funded by debt left the balance sheet of the business 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 October 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. Funds managed by the Investment Manager currently hold 5% of the company's equity.

EMIS Group is a specialist healthcare software and services provider. It is the UK market leader in the provision of electronic patient records for GPs, with a 53% market share. It also supplies electronic patient records to other healthcare organisations including community pharmacies, community and mental health trusts and accident & emergency departments. It has grown organically every year for 24 years and just under 80% of its revenues are recurring. It is very cash generative and has used this cash to augment its product portfolio through selective acquisitions. Funds managed by the Investment Manager currently hold 3% of the company's equity.

Equiniti Group is a business services company providing administration, processing payments services and technology products to typically FTSE 350 companies. It is one of the three main share registrars for UK quoted companies. It administers company benefits schemes and share savings schemes. It also provides software and services to help manage the administration of company and public sector pension funds. 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.3% of the company's equity.

Gooch & Housego is a global market leader in the design and manufacture of specialist optical components and subsystems. Funds managed by the Investment Manager previously invested in the company during 2010 and the Investment Manager knows the business and management team well. The company's shares de-rated significantly at the end of 2011 and early 2012, driven by concerns over slowing activity in their industrial division. The Investment Manager took advantage of this weakness in the share price to rebuild a stake at a significantly lower level than its exit price in late 2010. The new product development pipeline and ramping up of volumes on existing contracts have the potential to deliver significant growth over the medium term. Its fibre-optics products have strong long-term growth prospects as they substitute conventional electronics in aerospace and defence applications. Funds managed by the Investment Manager currently hold 3% of the company's equity.

Top 10 Investee Company Review (as at 30 June 2016) *(continued)*

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 of assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans. 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. Despite the UK base and operations of the remaining operating assets, IFG's head office remains in Dublin. The shares are dual-listed in Dublin and London, with the primary listing in Dublin. 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 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 due 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.7% 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 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 substantially refreshed, a non-core subsidiary sold and equity raised to strengthen the balance sheet. Funds managed by the Investment Manager currently hold 9% 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 due to a significant fall, and no recovery, in its legal training market and the decline in some legacy print publications. This has masked strong growth in the rest of the business. The declining segments have now either been exited or stabilised. The company's 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 5% of the company's equity.

GVQ Investment Management Limited
20 September 2016

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

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

Other Information

Business and Status of the Company

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

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

The Company has received written approval from HM Revenue and Customs as an authorised investment trust under Section 1158 of the Corporation Tax 2010 ("CTA"). The Company will continue to be treated as an investment trust company, subject to there being no serious breaches of the conditions for approval. The Company's status as an investment trust means that the Company does not pay capital gains tax on any profits arising from the disposal of its investments.

Investment Objective

The investment objective of the Company is to achieve absolute returns (i.e. growth in the value of investments) rather than relative returns (i.e. attempting to 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 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.

Performance and Dividend

Over the year to 30 June 2016, net assets have increased by £2.1 million representing an increase of 1.6% (9.0% decrease on a per share basis). Further information on the performance of the Company's portfolio is contained in the Investment Manager's Report on pages 6 to 16.

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. However, the Company is also able to utilise the flexibility afforded to it from the structure of the Company that allows the use of distributable reserves as stated in the Chairman's Statement on page 3. The Board recommends a final dividend of 0.78p (2015: 0.78p) per Ordinary share, amounting to £545,000 (2015: £534,000) based on the Ordinary share capital at the date of this report.

Other Information *(continued)*

Performance Analysis Using KPIs

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

NAV per Ordinary share

The NAV per Ordinary share, including revenue reserves, as at 30 June 2016 was 198.06p (30 June 2015: 217.69p).

Movement in the Company's share price

In the year to 30 June 2016, the Company's share price decreased by 22.7% from 230.25p to 178.00p. The share price total return, taking account of the 0.78p dividend paid in the year, was negative 22.4%.

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

Over the year, the premium/(discount) of the Ordinary share price in relation to the NAV ranged from a premium of 10.5% to a discount of 10.1%. As at 30 June 2016, the Company's shares traded at a discount of 10.1% (30 June 2015: premium of 5.8%).

Ongoing charges

The ongoing charges ratio was 1.40% in the year to 30 June 2016 (30 June 2015: 1.38%).

Investment Manager

The Investment Manager appointed by the Company is GVQIM. Established in 2002, the public equity team of GVQIM, formerly of SVGIM, was one of the first in the UK to invest in publicly traded equities using private equity techniques. The team now consists of four investment professionals who combine a number of complementary skill sets, including corporate finance, traditional fund management, research and private equity disciplines. In addition, GVQIM makes use of a panel of industrial advisers and other external due diligence providers. GVQIM currently has funds under management of more than £500m.

Investment Management Agreement

The Company's investments are managed by GVQIM under an agreement dated 19 February 2015. The Investment Manager's appointment is subject to termination on 12 months' notice given at any time by either party.

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

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

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

Performance Fee Arrangements

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

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

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

The Investment Manager will be entitled to 15% of the excess 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).

No performance fee is payable in respect of the year ended 30 June 2016 (2015: £2,371,495).

Administration Agreement

Under an agreement dated 17 January 2013, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited ("CSH"). The fee charged in the year was £98,000 (2015: £90,000). The majority of this increase was due to the move to the production of daily NAVs part way through the previous year. The current fee includes the provision for daily NAVs for the entire year. The fee is also subject to annual review based on the UK Retail Price Index. As mentioned in the Chairman's Report on page 4, CSH will be replaced by PATAC as Company Secretary and Administrator with effect from 1 October 2016.

Other Information *(continued)*

Principal Risks and Uncertainties Associated with the Company

For the Company, the overriding risk to an investor is that the market on which the Company's shares trade, and the shares of the companies in which it invests may move out of the control of the Board.

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

Principal Risk	Mitigation	Action taken in the year
Investment Performance The unconstrained long-term philosophy and concentrated portfolios resulting from the investment strategy can lead to periods of significant short-term variation in performance. The underlying investments are in companies which, due to their smaller size, may have limited product lines, limited financial resources with dependence on a few key individuals and less liquid shares. These risks are more significant than in larger companies.	The Board maintains a close review of how the Investment Manager invests to implement the investment strategy and regularly reviews adherence to the investment policy. The Board maintains a longer-term perspective in relation to monitoring performance of the Investment Manager in achieving the investment objective. The Board relies on the Investment Manager to engage actively with the investee companies in order to support long term value enhancement and the actions taken are reviewed regularly by the Board.	The Board, through its review process, did not identify any specific new action required either with the portfolio as a whole or with any one specific investment to mitigate performance risk over and above that already taken by the Investment Manager.
Operational Risk The Company appoints and relies on a number of third parties including the Investment Manager to provide it with the necessary services, such as registrar, depository, custodian, administrator, company secretary, lawyers, external auditors and brokers.	The Board has a detailed risk matrix which is reviewed by the Audit Committee and the Board twice yearly and is used as a tool to consider the principal risks of the Company and the controls that are in place in relation to those risks where appropriate. Key appointments of third party service providers are taken after a formal process ensuring the required skills and experience are satisfied. An annual review of service providers is carried out by the Management Engagement Committee. Internal control reports on the systems and processes of the Company's service providers are reviewed at least annually and as appropriate and any findings discussed where appropriate.	Supervision of third party service providers has been maintained in the year. The Board, through its review process has agreed that the Company's Administrator will change from Capita Sinclair Henderson Limited to Personal Assets Trust Administration Company Limited with effect from 1 October 2016 and a thorough handover process is being undertaken. In order to ensure the Company is compliant with the EU Audit Regulation 2014, on the rotation of audit firms, the Audit Committee undertook a tender process in December 2015 for the role of external auditor and KPMG was appointed with effect from 17 February 2016. The Board through its review process did not identify any other specific new actions.

Principal Risk	Mitigation	Action taken in the year
Regulatory Compliance and Legislation The Company is a UK incorporated company with a premium listing on the London Stock Exchange, is an authorised investment trust and has appointed GVQIM as Alternative Investment Fund Manager ("AIFM") and Cannaccord Genuity as Broker.	The Board is comprised of individuals whose background qualifications and experience ensure that the 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.	In the year under review, following the retirement of Ian Dighé as a Director, the Board engaged an external independent search consultant to conduct a selection process to identify a new Director. William Barlow was appointed as a Director as his mix of skills and experience fit well within the search criteria set by the Board.
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 and tender 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 moved from trading at a premium to NAV at the start of the period to a discount of c.10% at the end of the year. The Directors authorised the issuance of 7.3 million shares during the first six months of the year. Once the shares moved to trading at a discount during the second half of the year, the Board agreed that no further shares would be issued until the share price returned to trading at a premium.
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. Within this broad category the UK Referendum and its subsequent implications are an important current uncertainty.	The exposure to these external factors is considered largely outside of the Company's control so regular monitoring is carried out with regards to the likely effects should any potential mitigation be possible. Limits are set for investment in overseas based investments. Hedging of currency is not chosen as a mitigator due to the relative cost benefit not being compelling.	The position of the Company as a whole and that of each portfolio investment was considered in the run up to and following the UK Referendum and this remains an area of focus as to potential impact to performance. The Board monitors and reviews the position of the Company, ensuring that adequate cash balances exist to allow flexibility. In the portfolio the Investment Manager deemed that only limited changes were needed as a result of the UK Referendum outcome.

Other Information *(continued)*

Viability Statement

The Board has assessed the prospects of the Company over the three years to 30 June 2019. 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
- Tender offers
- The liquidity of the Company's portfolio
- Market falls and gains
- The nature and composition of the share register
- 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.8.4% of the NAV. Cash balances can be varied due to changes in market conditions, but positive cash levels are expected to be maintained over the period.

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

Investment companies face other challenges such as significant decreases in size due to share buy backs or tender offers to help manage situations where the share price of the companies trade at a persistent and large discount to the NAV. Over the past five years, the Investment Manager and Broker have been active in reshaping the investor base through proactive marketing initiatives, as well as providing managed liquidity through small tender offers. As a result, the Shareholder register has diversified significantly. Combined with maintaining good ongoing investor relations and investment performance, the Board believes that this reshaped investor base should reduce the discount volatility over time.

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 2019.

Going Concern

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

In assessing the Company's ability to continue as a going concern the Directors have also considered the Company's investment objective, detailed on page 17, risk management policies, detailed on pages 20 and 21, capital management (see Note 17 to the financial statements), the nature of its portfolio and expenditure projections and believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. In addition, the Board has had regard to the Company's investment performance (see page 1), the price at which the Company's shares trade relative to their NAV (see page 1) and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with Shareholders by the Company's advisers).

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

Resolution 11 at this year's Annual General Meeting represents the annual continuation vote by Shareholders on the Company's future. The Board believes this resolution to be in the best interests of the Company and its members as a whole, and strongly recommends that Shareholders should vote in favour of Resolution 11 as it intends to do in respect of its 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 pages 18 and 19). Therefore the Directors do not consider it necessary for the Company to have environmental, human rights or community policies in place.

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

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

Modern Slavery

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

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
20 September 2016

Report of the Directors

Directors

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

Mr Ian Dighé retired as a Director on 11 November 2015 and Mr William Barlow was appointed on 1 February 2016.

Corporate governance

The Company's corporate governance statement is set out on pages 27 to 34 and forms part of the Report of the Directors.

Share Capital

On 22 January 2015, the Company applied to the UK Listing Authority ("UKLA") for a block listing of 5,607,878 further Ordinary shares (the "January Block listing"), being the number of shares which the Company had authority to issue non-pre-emptively, following Shareholder approval at the Annual General Meeting held in 2014. The block listing became effective on 23 January 2015. 5,407,878 shares were issued during the year ended 30 June 2015 and a further 200,000 shares were issued during the current year. The January Block listing had been exhausted by 14 August 2015, raising total gross proceeds of £12,191,000.

The Company sought approval from Shareholders for the establishment of a share issuance programme in respect of 20 million shares (the "Share Issuance Programme") at a general meeting held on 31 July 2015. A prospectus in respect of the Share Issuance Programme was published by the Company on 3 August 2015 which allowed the Company to issue shares on an ad hoc basis under the Share Issuance Programme in order to manage the premium to NAV at which the Company's shares traded, to satisfy continuing market demand and to raise further money for investment in accordance with the Company's published investment policy. Pursuant to the authority granted by Shareholders, the Company undertook an over-subscribed placing of 4 million shares on 4 August 2015.

The Company applied to the UKLA for a block listing of 6 million further shares, which became effective on 10 August 2015 (the "August Block listing"). 3,075,000 Ordinary shares have been issued by the Company under the August Block listing.

In all, 7,275,000 Ordinary shares were issued by the Company prior to the closure of the Share Issuance Programme on 2 August 2016, raising total gross proceeds of £16,497,000. No shares were repurchased during the year.

The Company's issued share capital consists of 69,858,891 Ordinary shares as at 30 June 2016 and the date of this report, each with a nominal value of 10 pence, representing the Company's issued share capital. All shares have equal voting rights. No shares are held in treasury.

Substantial shareholdings

The Company has been informed of the following notifiable interests in the voting rights of the Company as at 30 June 2016:

	Number of shares held	% of total voting rights
RIT Capital Partners plc	9,818,227	14.05
Brewin Dolphin	3,431,656	4.91
Arbuthnot Fund Managers	3,412,657	4.89
Ian Armitage	3,404,800	4.87
Schroders plc	3,111,987	4.45
Sir Clive Thompson	2,679,102	3.84

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

On 15 August 2016, the Company was notified that Brewin Dolphin held 3,525,787 shares, representing 5.05% of voting rights as at the date of this report.

Information About Securities Carrying Voting Rights

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

- The Company's capital structure and voting rights are summarised above.
- Details of the substantial Shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 29.
- Details of the powers of the Directors to issue or buy back the Company's shares are disclosed above and on page 25.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Auditor

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

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

Financial Risk Management

Information about the Company's financial risk management objectives and policies is set out in Note 17 of the financial statements on pages 57 to 60.

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 9 November 2016, is set out on pages 64 to 67. 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 £698,589, being approximately 10% of the Company's issued Ordinary share capital as at the latest practicable date prior to the publication of this document. The authority granted to the Directors if this Resolution 12 is passed would last until the earlier of the Annual General Meeting in 2017 or 9 February 2018.

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

Under Section 570 of the Companies Act 2006, if the Directors wish to allot any equity securities, or sell any treasury shares (should they elect to hold any), for cash, they must first offer them to existing Shareholders in proportion to their shareholdings. The purpose of Resolution 13, which is proposed as a special resolution, is to allow the Directors to allot shares, or sell any treasury shares, for cash other than in accordance with Section 570 up to a maximum aggregate nominal amount of £698,589, representing approximately 10% of the Company's issued Ordinary share capital of 69,858,891 10p shares as at 20 September 2016 (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 2017 or 9 February 2018.

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

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

The authority is limited to 10,471,847 Ordinary shares, representing approximately 14.99% of the Company's shares in issue as at 20 September 2016 (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 agrees to buy the shares and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price payable per Ordinary share under this authority is the nominal value of that Ordinary share. Any purchases of Ordinary shares made pursuant to this authority will be market purchases.

Any such purchases will be made during the period commencing at the close of the Annual General Meeting and ending on the earlier of the date of the Company's Annual General Meeting in 2017 or 9 May 2018.

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.

As at 20 September 2016 (being the latest practicable date prior to publication of this document), the Company held no shares in treasury.

Directors' Recommendation

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

On behalf of the Board

Richard Hills
Chairman
20 September 2016

Statement on Corporate Governance

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

Statement of Compliance with the AIC Code of Corporate Governance

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

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") published in February 2015, both of which can be found on the AIC website at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders. A copy of the UK Code can be found at www.frc.org.uk.

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

The UK Code includes provisions relating to:

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

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

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

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

Board of Directors

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

As at the date of this Report, the Board consists of five non-executive Directors. 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.

Statement on Corporate Governance *(continued)*

Board Operation

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

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

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

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

Meetings

The Directors meet at regular Board meetings, at least once every quarter, with additional meetings arranged as necessary. The number of scheduled Board, Audit and Management Engagement Committee meetings held during the year ended 30 June 2016 and the attendance of the individual Directors is shown below:

	Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Number of meetings	Number attended	Number of meetings	Number attended	Number of meetings	Number attended
Richard Hills	4	4	2	2	1	1
Sir Clive Thompson	4	4	–	–	–	–
William Barlow (appointed on 1 February 2016)	2	2	–*	–*	1	1
Ian Dighé (retired on 11 November 2015)	2	2	1	1	–	–
Josephine Dixon	4	4	2	2	1	1
Richard Locke	4	4	2	2	1	1

* Mr Barlow was appointed as a member of the Audit Committee following the Board meeting on 10 February 2016.

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

Board Balance and Independence

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

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

Chairman

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

Re-election and Retirement of Directors

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

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

Directors' Induction, Training and Development

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

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

Performance Evaluation

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

In 2016, the evaluation of the Board was carried out by way of a questionnaire. Having considered and discussed the points raised by the Directors in response to the questionnaire, the Board has concluded that it has an appropriate balance of skills, experience and length of service and that each Director demonstrates effectiveness, a high level of commitment to the Company, and considerable experience, expertise and knowledge. In addition, the Board believes that, with the exception of Sir Clive Thompson (who is considered to be non-independent by virtue of his membership of the Investment Manager's IAP), each Director is independent of judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

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

Committees of the Board

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

Audit Committee

The main responsibilities of the Audit Committee and the matters addressed by the Committee during the year under review are detailed in the Audit Committee Report on pages 33 and 34.

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 35 to 37.

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.

In view of Mr Dighé's impending retirement from the Board, the Company engaged an external search consultant, Stephenson & Co., to assist in the appointment of a new Director. Stephenson & Co. is independent of the Company and its Directors.

The Directors considered the desired background and expertise of any new Director to complement the skills already on the Board. A shortlist of potential candidates was then provided by Stephenson & Co. The Directors met with a number of these candidates, following which Mr Barlow was appointed to the Board on 1 February 2016.

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 63. 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 to solicit their views on the Company. All Shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and Shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairman.

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

Conflicts of Interest

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

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

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

Internal Control Review

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

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review process, which has been in place for the year ended 30 June 2016 and up to the date of this report, covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board considers the Company's objectives in light of the following factors:

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

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

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

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

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

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

- investment management is provided by GVQIM. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Investment Manager at regular meetings. The Audit Committee reviews compliance reports from the Investment Manager on a twice-yearly basis, and the Investment Manager's compliance officer is in attendance at these meetings;

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

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

Audit Committee Report

The Committee held two scheduled meetings during the year under review. A third meeting was also held by the Committee in order to conduct the audit tender process, as detailed below.

The Committee's main responsibilities are:

1. To review the half year and annual financial statements

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

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

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

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

3. In relation to the external auditor:

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

4. Consider the need for an internal audit function

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

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

Risk Management and Effectiveness of Internal Controls

The Committee conducted a robust review of the effectiveness of the Company's risk management and internal control systems in September 2016, as part of its consideration of the Annual Report and Financial Statements for the year ended 30 June 2016. 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 principal risks and uncertainties facing the Company, which were reviewed and subsequently re-categorised in both the Half-yearly Report for the period ended 31 December 2015 and the Annual Report for the year ended 30 June 2016;
- the reports on the effectiveness of internal controls and risk management systems of the principal service providers to the Company; and
- the quarterly reports from the Depository.

Following that process, the Committee then recommended to the Board the endorsement of the statement on internal control, as included in this Report on page 31.

Half Year and Annual Financial Statements

Both the Half-yearly Report for the period ended 31 December 2015 and the Annual Report for the year ended 30 June 2016 were reviewed in detail and in line with the Committee's responsibilities and formal recommendations were made to the Board for approval. The Committee also considered the following significant matters:

- the basis and reasonableness of the valuation of the Company's unquoted investment, Vintage 1;
- in discussion with the Auditor and the Investment Manager, the calculation of the investment management and performance fees payable to the Investment Manager;
- the prospects of the Company over the three year period agreed by the Board when assessing the long-term viability of the Company, and the appropriateness of the statement from the Directors, as included in this Annual Report; and
- the use of the going concern principle in the preparation of the financial statements for the year ended 30 June 2016. The Committee considered evidence supporting this principle and reviewed the statement on going concern for endorsement by the Board. This can be found on page 22 of the Annual Report.

Change of Auditor

As previously reported to Shareholders, in preparation for the implementation of the EU Audit Regulation 2014, the Committee undertook an audit tender process in December 2015. As a result of this process, a recommendation was made to, and agreed by, the Board to appoint KPMG LLP as the Company's new Auditor with effect from 17 February 2016. KPMG LLP conducted the statutory audit of the Company for the year ended 30 June 2016.

Having acted as Auditor since the inception of the Company in 2005, Ernst & Young LLP accordingly resigned with effect from 17 February 2016. As Chairman of the Audit Committee, and on behalf of the Directors, I would like to thank Ernst & Young LLP for its service to the Company throughout its period in office.

Independence and Objectivity of the Auditor

The Committee reviewed the independence and objectivity of KPMG LLP as the Auditor in September 2016. 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 them at the Audit Committee meeting in September 2016 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 2016 of £19,500 (excluding VAT) was considered and approved by the Committee for recommendation to the Board.

Re-appointment of the Auditor

Following this review, the Committee is satisfied with the performance of KPMG LLP and has no hesitation in recommending their appointment as statutory Auditor to the Company. A resolution to this effect will therefore be put to Shareholders at the forthcoming Annual General Meeting to be held on 9 November 2016.

Josephine Dixon
Audit Committee Chairman
20 September 2016

Directors' Remuneration Report

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

An ordinary resolution for the approval of this report will be put to 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 39 and 40.

Directors' Remuneration Report

Statement from the Chairman

The Board presents the Directors' Remuneration Report for the year ended 30 June 2016, which has been prepared in accordance with the Companies Act 2006.

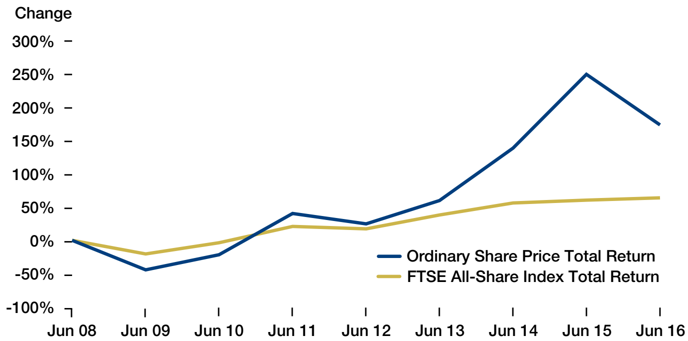
The Board has resolved that, in view of the size of the Board, it is most appropriate for matters of remuneration to be dealt with by the Board as a whole. The Remuneration Policy is set out on page 37.

During the year ended 30 June 2016, Directors' fees were set at a rate of £35,000 for the Chairman, £27,500 for the Chairman of the Audit Committee and £24,000 for a non-executive Director of the Company. Following a review of Directors' fees, no changes are currently being proposed.

There will be no significant change in 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.



Directors' emoluments for the year ended 30 June 2016 (audited)

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

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Richard Hills	**35,000**	27,613
William Barlow (appointed on 1 February 2016)	**10,000**	–
Josephine Dixon	**27,500**	21,667
Richard Locke (appointed on 10 February 2015)	**24,000**	7,993
Sir Clive Thompson*	**24,000**	20,500
Ian Dighé (retired on 11 November 2015)	**8,733**	20,500
John Hodson (retired on 10 February 2015)	**–**	14,493
John Cornish (retired on 14 November 2014)	**–**	12,747
Michael Phillips (retired on 14 July 2014)	**–**	734
Total	**129,233**	126,247

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

Relative importance of spend on pay

The table below, which is a statutory requirement, sets out, in respect of the financial year ended 30 June 2016 and the preceding year:

a) the remuneration paid to Directors;

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

c) the cash returned to Shareholders by way of tender offer.

	Year ended 30 June 2016 £	Year ended 30 June 2015 £	Change
Total remuneration	**129,233**	126,247	2.37%
Dividend paid	**534,000**	446,000	19.73%
Tender offer	**–**	3,899,522	(100.00%)

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 2016	30 June 2015
Richard Hills	**60,000**	60,000
William Barlow	**–**	–
Josephine Dixon	**10,000**	10,000*
Richard Locke**	**20,000**	20,000
Sir Clive Thompson	**2,679,102**	2,679,102

* These shares were held in the name of Mr John Tinkler.

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

There have been no changes to any of the above holdings between 30 June 2016 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 2015 and the Directors' Remuneration Policy were approved by Shareholders at the Annual General Meeting held on 11 November 2015. The votes cast by proxy were as follows:

Directors' Remuneration Report	Number of votes	% of votes cast
For	23,125,625	99.96
Against	10,000	0.04
At Chairman's discretion	0	0
Total votes cast	**23,135,625**	**100**
Number of votes withheld	0	

Directors' Remuneration Policy	Number of votes	% of votes cast
For	23,125,625	99.96
Against	10,000	0.04
At Chairman's discretion	0	0
Total votes cast	**23,135,625**	**100**
Number of votes withheld	0	

Directors' Remuneration Policy

A resolution to approve this Remuneration Policy was proposed at the Annual General Meeting of the Company held on 11 November 2015. The resolution was passed, and the Remuneration Policy provisions set out below will apply until they are next put to Shareholders for renewal of that approval. The Directors' Remuneration Policy will be 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.

	Expected fees for year to 30 June 2017 £	Fees for year to 30 June 2016 £
Chairman	35,000	35,000
Chairman of the Audit Committee	27,500	27,500
Non-executive Director	24,000	24,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

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

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 20 September 2016 and signed on its behalf by the Chairman.

Richard Hills
Chairman
20 September 2016

Statement of Directors' Responsibilities in respect of the Financial Statements

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and return of the Company; and
- the Strategic Report and Report of the Directors include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

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

On behalf of the Board

Richard Hills
Chairman
20 September 2016

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

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Strategic Equity Capital plc for the year ended 30 June 2016 set out on pages 41 to 61. In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of quoted equity investments £123.5 million

Refer to page 33 (Audit Committee section of the Statement of Corporate Governance), page 45 (accounting policy) and pages 51 to 54 (financial disclosures).

The risk: The Company's portfolio of quoted equity investments makes up 90.0% of the Company's total assets (by value) and is considered to be the key driver of performance results. We do not consider these investments to be at 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 response: Our procedures over the completeness, existence and valuation of the Company's quoted investment portfolio included, but were not limited to:

- documenting and reviewing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100% of portfolio investments to externally quoted prices; and
- agreeing 100% of portfolio investment holdings to independently received third party confirmations.

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

The materiality for the financial statements as a whole was set at £1.388 million, determined with reference to a benchmark of Total Assets, of which it represents 1%.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £70,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Capita office in Exeter.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

We have nothing to report on the disclosures of principal risks

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

- the Directors' Viability Statement on page 22, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the three years from the date of the Directors Report; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 Audit Committee's Report does not appropriately address matters communicated by us to the audit committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 22, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on page 27 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Waterson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ
20 September 2016

Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	**Year ended 30 June 2016** Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 June 2015 Revenue return £'000	Capital return £'000	Total £'000
Investments							
(Losses)/gains on investments held at fair value through profit or loss	8	**–**	**(13,784)**	**(13,784)**	–	26,992	26,992
		–	**(13,784)**	**(13,784)**	–	26,992	26,992
Income							
Dividends	2	**2,306**	**–**	**2,306**	2,142	223	2,365
Interest	2	**74**	**–**	**74**	34	–	34
Other Income	2	**21**	**–**	**21**	–	–	–
Total income		**2,401**	**–**	**2,401**	2,176	223	2,399
Expenses							
Investment Manager's fee	3	**(1,419)**	**–**	**(1,419)**	(1,064)	–	(1,064)
Investment Manager's performance fee	3	**–**	**–**	**–**	–	(2,371)	(2,371)
Other expenses	4	**(632)**	**–**	**(632)**	(532)	(67)	(599)
Total expenses		**(2,051)**	**–**	**(2,051)**	(1,596)	(2,438)	(4,034)
Net return/(loss) before taxation		**350**	**(13,784)**	**(13,434)**	580	24,777	25,357
Taxation	5	**(48)**	**–**	**(48)**	(5)	–	(5)
Net return/(loss) and total comprehensive income for the year		**302**	**(13,784)**	**(13,482)**	575	24,777	25,352
		pence	**pence**	**pence**	pence	pence	pence
Return per Ordinary share							
Basic and diluted	7	**0.44**	**(20.07)**	**(19.63)**	0.99	42.77	43.76

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

The notes on pages 45 to 61 form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 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 year ended 30 June 2016								
1 July 2015		**6,258**	**16,330**	**38,932**	**71,358**	**2,264**	**1,100**	**136,242**
Net (loss)/return and total comprehensive income for the year		**–**	**–**	**–**	**(13,784)**	**–**	**302**	**(13,482)**
Dividends paid	6	**–**	**–**	**–**	**–**	**–**	**(534)**	**(534)**
Share issues		**728**	**15,769**	**–**	**–**	**–**	**–**	**16,497**
Shares issue costs		**–**	**(362)**	**–**	**–**	**–**	**–**	**(362)**
30 June 2016		**6,986**	**31,737**	**38,932**	**57,574**	**2,264**	**868**	**138,361**
For the year ended 30 June 2015								
1 July 2014		5,955	5,246	42,650	46,581	2,026	971	103,429
Net return and total comprehensive income for the year		–	–	–	24,777	–	575	25,352
Dividends paid	6	–	–	–	–	–	(446)	(446)
Share issues		541	11,171	–	–	–	–	11,712
Share issue costs		–	(117)	–	–	–	–	(117)
Shares bought back for cancellation & treasury		(238)	–	(3,900)	–	238	–	(3,900)
Shares sold from treasury		–	30	182	–	–	–	212
30 June 2015		6,258	16,330	38,932	71,358	2,264	1,100	136,242

The notes on pages 45 to 61 form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Note	**30 June 2016 £'000**	30 June 2015 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**125,157**	121,439
Current assets			
Trade and other receivables	10	**356**	363
Cash and cash equivalents	14	**13,303**	17,312
		13,659	17,675
Total assets		**138,816**	139,114
Current liabilities			
Trade and other payables	11	**455**	2,872
Total assets less current liabilities		**138,361**	136,242
Net assets		**138,361**	136,242
Capital and reserves:			
Share capital	12	**6,986**	6,258
Share premium account	13	**31,737**	16,330
Special reserve	13	**38,932**	38,932
Capital reserve	13	**57,574**	71,358
Capital redemption reserve	13	**2,264**	2,264
Revenue reserve	13	**868**	1,100
Total shareholders' equity		**138,361**	136,242
		pence	pence
Net asset value per share			
Basic	15	**198.06**	217.69
		number	number
Shares in issue			
Ordinary shares	12	**69,858,891**	62,583,891

The financial statements were approved by the Board of Directors of Strategic Equity Capital plc on 20 September 2016. They were signed on its behalf by

Richard Hills
Chairman
20 September 2016

Company Number: 05448627

The notes on pages 45 to 61 form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Operating activities			
Net (loss)/return before taxation		**(13,434)**	25,357
Adjustment for losses/(gains) on investments		**13,784**	(26,992)
Irrecoverable witholding tax		**(48)**	(5)
Share buy back expenses		**–**	67
Operating cash flows before movements in working capital		**302**	(1,573)
Decrease/(increase) in receivables		**37**	(27)
(Decrease)/increase in payables		**(2,324)**	2,130
Purchases of portfolio investments		**(43,867)**	(44,643)
Sales of portfolio investments		**26,243**	42,335
Net cash flow from operating activities		**(19,609)**	(1,778)
Financing activities			
Equity dividend paid	6	**(534)**	(446)
Shares bought back in the year	13	**–**	(3,900)
Shares issued		**16,497**	11,712
Shares sold from treasury	13	**–**	212
Share issue expenses	13	**(362)**	(117)
Tender offer expenses		**–**	(67)
Net cash flow from financing activities		**15,601**	7,394
(Decrease)/increase in cash and cash equivalents for year		**(4,008)**	5,616
Cash and cash equivalents at start of year		**17,312**	11,696
Revaluation of foreign currency balances	14	**(1)**	–
Cash and cash equivalents at 30 June	14	**13,303**	17,312

The notes on pages 45 to 61 form part of these financial statements.

Notes to the Financial Statements
for the year ended 30 June 2016

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 2016 were authorised for issue in accordance with a resolution of the Directors on 20 September 2016.

1.2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board (as adopted by the EU), interpretations issued by the International Financial Reporting Interpretations Committee, and applicable requirements of United Kingdom company law, and reflect the following policies which have been adopted and applied consistently. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC (as revised in 2014) is applied to the extent it is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

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

Convention

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

Segmental reporting

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

1.3 Accounting policies

Investments

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

After initial recognition, investments are measured at fair value, with movements in fair value of investments and impairment of investments recognised in the Statement of comprehensive income and allocated to 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 Guidelines as the cost of recent investments will generally provide a good indication of fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

1.3 Accounting policies *(continued)*

Trade date accounting

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

Income

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

Expenses

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

Cash and cash equivalents

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

Taxation

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

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

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

Dividends payable to Shareholders

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

1.3 Accounting policies *(continued)*

Share capital transactions

Share issues and related accounts

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

Share buybacks for capital reserve

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

Share buybacks for treasury

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

Foreign currency transactions

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

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

Critical accounting estimates and assumptions

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

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with IPEV Valuation Guidelines. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

1.4 New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which are not effective for the year ended 30 June 2016 and have not been applied in preparing these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date*
IAS 34	Interim Financial Reporting	1 January 2016
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2018

* Years beginning on or after

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

2 Income

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Income from investments:						
UK dividend income	**2,048**	**–**	**2,048**	1,998	223	2,221
Overseas dividend income	**258**	**–**	**258**	144	–	144
	2,306	**–**	**2,306**	2,142	223	2,365
Liquidity interest	**74**	**–**	**74**	34	–	34
	2,380	**–**	**2,380**	2,176	223	2,399
Other income:						
Underwriting commission	**21**	**–**	**21**	–	–	–
	2,401	**–**	**2,401**	2,176	223	2,399
Total income comprises:						
Dividends	**2,306**	**–**	**2,306**	2,142	223	2,365
Interest	**74**	**–**	**74**	34	–	34
Underwriting commission	**21**	**–**	**21**	–	–	–
	2,401	**–**	**2,401**	2,176	223	2,399
Income from investments:						
Listed UK	**2,048**	**–**	**2,048**	1,998	223	2,221
Listed overseas	**258**	**–**	**258**	144	–	144
Liquidity interest	**74**	**–**	**74**	34	–	34
	2,380	**–**	**2,380**	2,176	223	2,399

3 Investment Manager's fee

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Management fee	**1,419**	**–**	**1,419**	1,064	–	1,064
Performance fee	**–**	**–**	**–**	–	2,371	2,371
	1,419	**–**	**1,419**	1,064	2,371	3,435

A basic management fee is payable to the Investment Manager at the lower of (i) the annual rate of 1.0% of the adjusted NAV of the Company or (ii) 1.0% per annum of the market capitalisation of the Company. The basic management fee accrues weekly and is payable quarterly in arrears. The Investment Manager is also entitled to a performance fee, details of which are given in the Strategic Report on page 19.

4 Other expenses

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	98	–	98	90	–	90
Current Auditors' remuneration for:						
Audit services*	20	–	20	–	–	–
Previous Auditors' services*	2	–	2	23	–	23
Directors' remuneration	129	–	129	126	–	126
Other expenses	383	–	383	293	67+	360
	632	–	632	532	67	599

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

* No non-audit fees were incurred during the year.
+ Expenses incurred in relation to the tender offer process.

5 Taxation

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Corporation tax at 20% (2015: 20.75%)	–	–	–	–	–	–
Overseas dividend withholding tax*	48	–	48	5	–	5
	48	–	48	5	–	5

The Company is subject to corporation tax at 20.0%. As at 30 June 2016 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK (20.0%). The differences are explained below:

* IFG Group withholding tax paid £48,094 (2015: £5,460).

5 Taxation *(continued)*

	Year ended 30 June 2016			Year ended 30 June 2015		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	**350**	**(13,784)**	**(13,434)**	580	24,777	25,357
Theoretical tax at UK corporation tax rate of 20% (2015: 20.75%)	**70**	**(2,757)**	**(2,687)**	120	5,141	5,261
Effects of:						
– UK dividends that are not taxable	**(410)**	**–**	**(410)**	(415)	(46)	(461)
– Overseas dividends that are not taxable	**(52)**	**–**	**(52)**	(30)	–	(30)
– Unrelieved expenses	**392**	**–**	**392**	321	492	813
– Overseas dividend withholding tax	**48**	**–**	**48**	5	–	5
– Non-taxable investment gains	**–**	**2,757**	**2,757**	–	(5,601)	(5,601)
– Dissallowable expenses	**–**	**–**	**–**	4	14	18
	48	**–**	**48**	5	–	5

Factors that may affect future tax charges

At 30 June 2016, the Company had no unprovided deferred tax liabilities (2015: £nil). At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £16,135,000 (2015: £14,178,000) that are available to offset future taxable revenue. A deferred tax asset of £3,227,000 (2015: £2,836,000) 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 Trust 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 2016 £'000	30 June 2015 £'000
Final dividend proposed of 0.78p (2015: 0.78p) per share	**(545)**	(488)

Dividends have been solely paid out of Revenue.

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

	30 June 2016 £'000	30 June 2015 £'000
Final dividend: 0.78p per share (2015: 0.78p)	**534**	446

The proposed dividend of £488,000 shown in the accounts for the year ended 30 June 2015 differs from the £534,000 dividend actually paid during the year due to 5,900,000 new shares being issued prior to the ex-dividend date.

7 Return per Ordinary share

	Year ended 30 June 2016			Year ended 30 June 2015		
	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	**(13,482)**	**68,687,443**	**(19.63)**	25,352	57,935,809	43.76
Revenue Return per share	**302**	**68,687,443**	**0.44**	575	57,935,809	0.99
Capital Return per share	**(13,784)**	**68,687,443**	**(20.07)**	24,777	57,935,809	42.77

8 Investments

	30 June 2016 £'000	30 June 2015 £'000
Investment portfolio summary		
Listed investments at fair value through profit or loss	**123,509**	119,597
Unlisted investments at fair value through profit or loss	**1,648**	1,842
	125,157	121,439

8 Investments *(continued)*

	Listed £'000	Unlisted £'000	30 June 2016 Total £'000
Analysis of investment portfolio movements			
Opening book cost	72,371	163	72,534
Opening investment holding gains	47,226	1,679	48,905
Opening valuation	119,597	1,842	121,439
Movements in the year:			
Purchases at cost	43,774	–	43,774
Sales – proceeds	(25,470)	(803)	(26,273)
– realised gains on sales	8,988	746	9,734
Decrease in unrealised appreciation	(23,380)	(137)	(23,517)
Closing valuation	123,509	1,648	125,157
Closing book cost	99,663	106	99,769
Closing investment holding gains	23,846	1,542	25,388
	123,509	1,648	125,157

A list of the top 10 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 £225,000 (2015: £183,000) and disposals of investments totalled £50,000 (2015: £49,000) respectively for the year.

	30 June 2016 £'000	30 June 2015 £'000
Analysis of capital gains		
Gains on sale of investments	9,734	15,753
Foreign exchange gains on purchase of investments	–	15
Foreign exchange losses on settlement at bank	(1)	(24)
Movement in investment holding gains	(23,517)	11,248
	(13,784)	26,992

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

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

8 Investments *(continued)*

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

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

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

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

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

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 30 June 2016.

Financial instruments at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2016				
Equity investments and limited partnership interests	**123,509**	**–**	**1,648**	**125,157**
Liquidity funds	**–**	**12,091**	**–**	**12,091**
Total	**123,509**	**12,091**	**1,648**	**137,248**
30 June 2015				
Equity investments and limited partnership interests	119,597	–	1,842	121,439
Liquidity funds	–	16,946	–	16,946
Total	119,597	16,946	1,842	138,385

There were no transfers between levels for the year ended 30 June 2016 (2015: none).

8 Investments (continued)

The following table presents the movement in level 3 instruments for the year ended 30 June 2016 by class of financial instrument.

	Total equity investments £'000
Opening balance at 1 July 2015	1,842
Proceeds from disposals during the year	(803)
Gains on disposals during the year included in the Statement of comprehensive income	746
Total losses for the year included in the Statement of comprehensive income	(137)
Closing balance	1,648

9 Significant interests

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

Name of investment	Class of Share	30 June 2016 Percentage held
Tribal Group	Ordinary	**9.35**
Goals Soccer Centre	Ordinary	**7.50**
Servelec Group	Ordinary	**6.99**
Wilmington Group	Ordinary	**5.43**
IFG Group	Ordinary	**5.14**
OMG	Ordinary	**3.79**
Gooch & Housego	Ordinary	**3.50**
E2V Technologies	Ordinary	**3.09**

10 Trade and other receivables

	30 June 2016 £'000	30 June 2015 £'000
UK dividends receivable	**28**	72
Amount due from brokers	**302**	272
Overseas dividends receivable	**–**	9
Accrued income	**1**	–
Other receivables and prepayments	**25**	10
	356	363

11 Trade and other payables

	30 June 2016 £'000	30 June 2015 £'000
Amounts due to brokers for settlement of trades	–	93
Investment Manager's performance fee	–	2,371
Other payables and accruals	455	408
	455	2,872

12 Nominal share capital

	Number	£'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2015	62,583,891	6,258
Share issues	7,275,000	728
Ordinary shares in circulation at 30 June 2016	69,858,891	6,986

At 30 June 2016, there were no shares held at treasury (30 June 2015: none).

13 Reserves

For the year ended 30 June 2016	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	16,330	38,932	22,454	48,904	2,264	1,100
Net gain on realisation of investments	–	–	9,733	–	–	–
Decrease in unrealised appreciation	–	–	–	(23,517)	–	–
Share issues	15,769	–	–	–	–	–
Share issue costs	(362)	–	–	–	–	–
Net return for the year	–	–	–	–	–	302
Dividends paid	–	–	–	–	–	(534)
As at 30 June 2016	31,737	38,932	32,187	25,387	2,264	868

13 Reserves *(continued)*

For the year ended 30 June 2015	Share premium account £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	5,246	42,650	8,924	37,657	2,026	971
Net gain on realisation of investments	–	–	15,753	–	–	–
Foreign exchange losses on settlement	–	–	(8)	–	–	–
Increase in unrealised appreciation	–	–	–	11,247	–	–
Share Tender Offer expenses	–	–	(67)	–	–	–
Share issues	11,171	–	–	–	–	–
Share issue costs	(117)	–	–	–	–	–
Shares sold from treasury	30	182	–	–	–	–
Shares bought back for cancellation & treasury	–	(3,900)	–	–	238	–
Capital dividend	–	–	223	–	–	–
Investment Manager's performance fee	–	–	(2,371)	–	–	–
Net return for the year	–	–	–	–	–	575
Dividends paid	–	–	–	–	–	(446)
As at 30 June 2015	16,330	38,932	22,454	48,904	2,264	1,100

14 Reconciliation of net cash flow to net funds

	30 June 2016 £'000	30 June 2015 £'000
Opening net funds	**17,312**	11,696
(Decrease)/increase in cash and cash equivalents in year	**(4,008)**	5,616
Non cash movement: – Foreign exchange losses on bank	**(1)**	–
Closing net funds	**13,303**	17,312

	At 30 June 2015 £'000	Net cash flow £'000	**At 30 June 2016 £'000**
Cash at bank	366	846	**1,212**
Liquidity funds	16,946	(4,855)	**12,091**
	17,312	(4,009)	**13,303**

15 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £138,361,000 (2015: £136,242,000) and on 69,858,891 (2015: 62,583,891) 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 (2015: €1,560,000) in Vintage 1, details of which are given in the Investment Management Report on page 13.

17 Analysis of financial assets and liabilities

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

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

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

Due to timings of investment and distributions, at any one time the Company may hold significant amounts of surplus cash. Any funds in excess of those required to meet daily operational requirements are invested in Institutional Liquidity Funds. These are highly liquid assets that are redeemable on less than 24 hours notice. The Company only invests in funds that have an AAA rating and the funds' performance is monitored by the Investment Manager. As at 30 June 2016 the Company had £12,091,000 (2015: £16,946,000) invested in such funds. The maximum exposure to credit risk is £13,659,000 (2015: £17,675,000). There are no assets past due or impaired (2015: none).

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

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

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

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

Policy

(i) Market price risk

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

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

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

If the investment portfolio valuation fell by 20% from the 30 June 2016 valuation (2015: 20%), with all other variables held constant, there would have been a reduction of £25,031,000 (2015: £24,288,000) in the return after taxation and equity. An increase of 20% in the investment portfolio valuation would have had an equal and opposite effect on the return after taxation and equity. The calculations are based on the fair value of investments at 30 June 2016 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 2016 (2015: 0.5%), it would have the effect, with all other variables held constant, of reducing the net return after taxation and equity by £73,000 (2015: £62,000). If there had been an increase in interest rates of 0.5% there would have been an equal and opposite effect in the net return after taxation and equity. The calculations are based on average cash at bank and liquidity funds for the year ended 30 June 2016 and these may not be representative of the year as a whole.

Non-interest rate risk exposure

The remainder of the Company's portfolio and current assets and liabilities are not subject directly to interest rate risk (2015: same).

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

The interest rate risk profile of the Company's financial assets at 30 June 2016 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Listed investments	123,509	123,509	–
Liquidity funds	12,091	–	12,091
Cash	1,212	–	1,212
Receivables*	331	331	–
Closing net funds	137,143	123,840	13,303
Euros			
Unlisted investments	1,648	1,648	–
	1,648	1,648	–
Total	138,791	125,488	13,303

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

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

The interest rate risk profile of the Company's financial assets at 30 June 2015 was:

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

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

The interest rate risk profile of the Company's financial liabilities at 30 June 2016 was:

	Total £'000	**No interest rate risk financial assets £'000**
Sterling		
Creditors	455	455

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 2015 was:

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

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

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

(iii) Liquidity risk

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

(iv) Foreign currency risk

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

During the year the Sterling/Euro exchange rate fluctuated 20.25% between a low of 1.1979 on 27 June 2016 and a high of 1.4405 on 17 July 2015, before closing at 1.2033 on 30 June 2016 (2015: 1.4103).

If the Sterling/Euro exchange rate had decreased by 15% from that obtained at 30 June 2016 (2015: 15%), it would have the effect, with all other variables held constant, of increasing net profit and equity Shareholders' funds by £1,481,000 (2015: £1,279,000). An increase of 15% (2015: 15%) would have decreased net profit and equity Shareholders' funds by £1,094,000 (2015: £946,000). The calculations are based on the value of the investment in Vintage 1 and IFG Group as at 30 June 2016 and this may not be representative of the year as a whole. The balance exposed to foreign currency risk is £8,390,000 (2015: £7,249,000).

Fair values of financial assets and financial liabilities

The carrying value of the financial assets and liabilities of the Company is equivalent to their fair value (2015: same).

Managing Capital

Capital structure

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

Capital requirement

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

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

18 Related party transactions and transactions with the Investment Manager

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

The amounts payable to the Investment Manager are disclosed in Note 3 on page 48. The amount due to the Investment Manager for management fees at 30 June 2016 was £350,000 (2015: £309,000). The amount due to the Investment Manager for performance fees at 30 June 2016 was £Nil (2015: £2,371,000).

Fees paid to Directors are disclosed in the Directors' Remuneration Report on page 35. Full details of Directors' interests are set out on page 36.

AIFMD Disclosures

Alternative Investment Fund Managers Directive ("AIFMD") Disclosures

The Company's AIFM is GVQIM.

Pre-investment disclosures

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

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at the 30 June 2016. This gives the following figures:

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

GVQIM Remuneration

GVQIM is the authorised manager of the Company. This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the 'Guidelines on Sound Remuneration Policies' under the AIFMD issued by the European Securities and Markets Authority and the Financial Conduct Authority Handbook (SYSC 19B: The AIFM Remuneration Code and FUND 3.3).

GVQIM Remuneration Policy

In accordance with the AIFMD, GVQIM's remuneration policy is available from GVQIM on request. This policy includes details of the alignment with risk management, the financial and non-financial criteria used to evaluate performance and the measures adopted to avoid or manage conflicts of interest.

GVQIM Quantitative Disclosures

GVQIM's year end is 31 December. In the year to 31 December 2015, GVQIM's board identified 13 persons as 'AIFM Identified Staff', being persons holding significant influence roles, the investment team and other senior managers whose actions could have a material impact on the risk profile of GVQIM. In the year to 31 December 2015, total aggregate remuneration for GVQIM AIFM Identified Staff was £2,754,093 (2014: £2,380,861) of which, £1,902,643 (2014: £2,083,882) was fixed, and £851,450 (2014: £296,979) was variable remuneration.

Corporate Information

Auditor
KPMG LLP
191 West George Street
Glasgow G2 2LJ

Broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

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

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

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

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

Until 30 September 2016:

Company Secretary, Administrator and Registered Office
Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500

With effect from 1 October 2016:

Company Secretary and Administrator
Personal Assets Trust Administration Company Limited
10 St. Colme Street
Edinburgh EH3 6AA
Tel: 0131 538 6610

Registered Office
1 Finsbury Circus
London EC2M 7SW

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

Notice of Annual General Meeting

This document is important and requires your immediate attention.

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Strategic Equity Capital plc will be held at the offices of Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR on 9 November 2016 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited Financial Statements for the year ended 30 June 2016, together with the Strategic Report and Reports of the Directors and Auditor thereon.

2. To declare a final dividend of 0.78p per Ordinary share.

3. To receive and approve the Directors' Remuneration Report.

4. To re-elect Richard Hills as a Director.

5. To re-elect Josephine Dixon as a Director.

6. To re-elect Sir Clive Thompson as a Director.

7. To re-elect Richard Locke as a Director.

8. To elect William Barlow as a Director.

9. To appoint KPMG LLP as Auditor to the Company, to hold office from the conclusion of this Meeting until the next General Meeting at which financial statements are laid.

10. To authorise the Directors to determine the remuneration of KPMG LLP.

Special Business

Ordinary Resolutions

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

12. THAT in addition to any existing authority, the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £698,589 (equivalent to 6,985,890 shares and 10% of the issued share capital as at 20 September 2016), 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 9 February 2018 (unless previously revoked or varied by the Company in General Meeting) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

13. THAT in addition to any existing authority, the Board be and it is hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred by resolution 12 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 573 of the said Act, as if Section 561 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities or sale of shares out of treasury up to an aggregate nominal value of £698,589 (equivalent to 6,985,890 shares and 10% of the issued share capital as at 20 September 2016), 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 9 February 2018, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Board may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

14. THAT, in substitution for the Company's existing authority, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of its Ordinary shares of 10p each ("Ordinary Shares") provided that:

    (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 10,471,847 Ordinary Shares (being 14.99% of the Company's issued ordinary share capital as at 20 September 2016 (being the latest practicable date prior to the date of this notice) excluding any Ordinary Shares held in treasury);

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

    (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (a) 5% above the average of the middle market prices of the Ordinary Shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the Ordinary Shares, and (b) the higher of: (i) the last independent trade and (ii) the highest current independent bid for, any number of Ordinary Shares on the London Stock Exchange at the time the purchase is carried out.

    This authority shall continue for the period ending on the earlier of: (i) the date of the next Annual General Meeting of the Company after the passing of this resolution; and (ii) 9 May 2018 provided that if the Company has agreed, before this authority expires, to purchase Ordinary Shares where the purchase will or may be executed after this authority expires (whether wholly or in part), the Company may complete such purchase as if this authority has not expired.

Registered Office:	By Order of the Board
Beaufort House 51 New North Road Exeter EX4 4EP	Capita Sinclair Henderson Limited Company Secretary 20 September 2016

Notice of Annual General Meeting *(continued)*

Notes:

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

1. The Company specifies that only those Shareholders registered on the register of members of the Company as at close of business on 7 November 2016 (or in the event that the meeting is adjourned, only those Shareholders registered on the register of members of the Company as at 6.00 pm on the day which is 48 hours prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

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

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

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

5. As at 20 September 2016 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 69,858,891 Ordinary shares carrying one vote each and the total number of voting rights was 69,858,891.

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

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

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

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

   (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or

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

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

8. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:
   a) to do so would:
      (i) interfere unduly with the preparation for the meeting, or
      (ii) involve the disclosure of confidential information;
   b) the answer has already been given on a website in the form of an answer to a question; or
   c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

   For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

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

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
10. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
11. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
12. The Annual Report incorporating this Notice of Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this Notice will be available on the Company's website, www.strategicequitycapital.com
13. None of the Directors has a contract of service with the Company. A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.

Notes

STRATEGIC EQUITY CAPITAL PLC

www.strategicequitycapital.com