STRATEGIC EQUITY CAPITAL PLC

HALF-YEARLY REPORT & FINANCIAL STATEMENTS

for the six month period to 31 December 2015

Investment Objective

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

The Company's investment policy can be found on page 3.

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.

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Financial Summary

	As at 31 December 2015	As at 30 June 2015	As at 31 December 2014[5]	Six months % change to 31 December 2015
Capital return				
Net asset value ("NAV") (statutory) per Ordinary share	**212.63p**	217.69p	190.43p	(2.3)%
Ordinary share price (mid-market)	**220.13p**	230.25p	193.50p	(4.4)%
Premium of Ordinary share price to NAV	**3.5%**	5.8%	1.6%	
Average premium/(discount) of Ordinary share price to NAV for the period	**6.1%**	(1.1)%	(4.0)%	
Total assets (£'000)[1]	**149,028**	139,114	110,673	7.1%
Equity Shareholders' funds (£'000)[1]	**148,540**	136,242	108,669	9.0%
Ordinary shares in issue with voting rights[1]	**69,858,891**	62,583,891	57,066,291	11.6%

	Six month period to 31 December 2015	Year ended 30 June 2015	Six month period to 31 December 2014[5]
Performance			
Total return for the period[2]	**(2.0)%**	25.8%	10.1%
Ongoing charges – annualised[3]	**1.46%**	1.38%	1.40%
Revenue return per Ordinary share	**0.34p**	0.99p	0.69p
Dividend yield[4]	**n/a**	0.4%	n/a
Proposed dividend for period	**n/a**	0.78p	n/a

Interim period's Highs/Lows	**High**	**Low**
NAV per Ordinary share	222.69p	207.51p
Ordinary share price	241.50p	217.00p

[1] *The Company's fifth tender offer took place in May 2014. As a result, 2,382,098 shares were bought back for cancellation in July 2014 at a cost of £3,716,940 (including stamp duty). A sixth tender offer took place in November 2014. 109,722 shares were bought back and held in treasury at a cost of £182,582. During the period January 2015 to June 2015, the Company issued 5,407,878 shares for a consideration of £11,711,869. The Company has issued 7,275,000 shares during the six-month period to 31 December 2015 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 price.*

[5] *Restated – See note 13.*

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 commitment which may still be called shall be deemed to be an unquoted security.

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

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

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

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

Chairman's Report

Introduction

After a considerable period of growth, the Company's NAV has declined slightly during the period under review in an overall flattish market, as a result of both market conditions and portfolio newsflow. This overall performance masked a significant variation in performance across the Company's portfolio over the period. Further details on the Company's portfolio are included in the Investment Manager's Report on pages 6 to 13.

Performance

Whilst the net assets of the Company increased during the period to £148.5m, principally as a result of share issuance under the Share Issuance Programme put in place in August 2015, the NAV per share and the NAV total return per share decreased by 2.3% and 2.0% respectively from 30 June to 31 December 2015. Aside from the exceptionally disappointing returns from one investment, Tribal Group, the vast majority of the remaining portfolio performed well.

Over the longer term, the Company has delivered a NAV total return per share of 92.6% over the past three years, exceeding the 58.2% return from the FTSE SmallCap Index by 34.4%. The Company's five-year NAV total return per share growth of 140.6% has exceeded the return from the Index by more than 57%. Notably, growth in the Company's NAV has been delivered without the use of gearing and with relatively low volatility.

Premium/Discount

During the course of 2015, the Company's shares generally traded at a premium to NAV. In the six months to the end of December 2015, the average premium to NAV was 6.1%. The share price ended the period trading at a 3.5% premium to NAV.

The Investment Manager's continued efforts to increase the profile of the Company and introduce new investors to the Company have yielded results: purchasers of shares during the period included wealth managers, long-term institutional shareholders and additional offices of existing wealth managers, as well as retail buyers through the self-trade platforms.

The Board believes that the strong share price performance has been driven by, *inter alia*, the Company's investment performance and the transformation of the Company's shareholder base, aided by increased demand from both retail and institutional investors.

Since the end of 2015, equity markets have been more volatile and, as at 16 February 2016, the Company's shares have slipped to a 1.0% discount to NAV.

Dividend

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

Share Issuance

In response to ongoing demand from existing and potential investors, as well as the Board's desire to manage the premium to NAV at which the Company's shares have generally traded, the Company implemented a Share Issuance Programme for up to 20 million shares (the "New Shares") during the period under review. At a general meeting of the Company held on 31 July 2015, Shareholders granted the Board authority to allot the New Shares on a non-pre-emptive basis at a premium to NAV. A prospectus in respect of the Share Issuance Programme was published on 3 August 2015, signalling the launch of the Programme. To date, 7,275,000 New Shares have been issued at an average premium of 4.4%, raising gross proceeds of £16,497,000 which have been applied to further the Company's investment objectives in a mixture of new and existing investments, as well as increasing cash balances.

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

The Board

As detailed in the Annual Report for the year ended 30 June 2015, Ian Dighé stepped down from the Board on 11 November 2015. The Board would like to thank him for his service to the Company over the past six years.

During the period, the Board engaged an external independent search consultant to find a replacement non-executive Director. As a result of this process, William Barlow was appointed as a non-executive Director of the Company with effect from 1 February 2016. William has considerable experience in the investment trust industry and the Board looks forward to working with him in future.

Change of Auditor

As previously noted in the Annual Report for the year ended 30 June 2015, in accordance with the forthcoming implementation of the EU Audit Regulation 2014, the Audit 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 will conduct the statutory audit of the Company for the year ending 30 June 2016. Having acted as Auditor since the inception of the Company in 2005, Ernst & Young LLP have accordingly resigned, with effect from 17 February 2016. The Board would like to thank Ernst & Young LLP for its service to the Company throughout this period.

Gearing and Cash Management

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

The Board, together with the Investment Manager, has a conservative approach to gearing due to the concentrated nature of the Company's portfolio. No gearing has been in place at any point during the period. From time to time cash positions are maintained for when suitable investment opportunities arise.

Outlook

The New Year has started with challenging markets. There appears to be a disconnect between the indiscriminate movement of share prices and current economic and earnings forecasts. Only time will tell whether this is a healthy stock market correction or the start of a longer period of market weakness.

The Board shares the Investment Manager's belief that, whilst the medium and long-term prospects for the Company remain encouraging, the NAV cannot be immune to short-term market gyrations. The vast majority of the existing portfolio is in good shape, with individual companies enjoying strong balance sheets and materially better growth prospects than the broader smaller companies sector. Swift action has been taken to address underperforming investments, which have the potential to recover well over the medium-term. The Investment Manager has also shown price discipline in taking profits from strong performers. In uncertain times, the strong net cash position of the Company's portfolio allows the Investment Manager considerable flexibility in creating long-term growth.

Richard Hills
Chairman
17 February 2016

Investment Manager’s Report

Investment Strategy

GVQIM’s strategy is to invest in publicly quoted companies which could see their value increase through strategic, operational or management change. We follow a practice of constructive corporate engagement and aim to work with management teams in order to enhance shareholder value. We seek to build a consensus with other stakeholders and prefer to work alongside like-minded co-investors as leaders, followers or supporters. We try to avoid confrontation with investee companies as we believe that there is strong evidence that overly 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 and frequently can be more attractively valued.

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

Market Background

The period began with financial markets being concerned about the risk of Greece being ejected from the Eurozone. The latest bailout plan was agreed in late July 2015, before markets turned their attention to the Chinese equity market. Share prices in mainland China had witnessed a stellar run prior to weakening through July and August 2015. This culminated in a significant sell-off towards the end of August, which spread to other financial markets. The triggers were a combination of: a) the realisation that China’s growth is slowing; and b) a modest devaluation of the Yuan.

During the remainder of the period, the four other significant factors contributing to the performance of equity markets were: a) the anticipation of interest rates rising in the USA (enacted on 16 December 2015); b) the continued slide in commodity prices and, in the case of oil, the differing agendas of OPEC members; c) generally low liquidity; and d) an increase in profit warnings, which appeared to encompass companies across more sectors than had previously been the case. Numerous cyclical companies experienced earnings downgrades, which did not come as a surprise as in many cases we perceive profit margins are at the top end of their long-term ranges.

As a result, there was further divergence between the performance of the main indices. The poorest performer was the FTSE 100, which fell by 2.5%, followed by AIM which fell 1.6%, both on a total return basis. Both indices have considerable exposure to the resources sector, which will have had a significantly negative impact on index performance. This is highlighted in the FTSE 350 Oil & Gas and FTSE 350 Mining sectors, which delivered negative returns of 11.7% and 40.3% respectively over the period. In comparison, the FTSE 250 and FTSE SmallCap indices, both ex-investment trusts, delivered total returns of 0.6% and 1.0%.

In the Q3 2015 investor presentation, we commented that high growth and often more highly rated stocks, perceived to be “safe” and with structural growth, appeared to be performing well. It was a trend also experienced in the USA, with four stocks, known as the FANGs (Facebook, Amazon, Netflix and Google) returning more than 60% compared to the S&P 500, which was broadly unchanged over the year. Within our addressable investment universe, the re-ratings of these types of companies was material, and masked much weaker performances from other companies. Flawless execution of many years of growth is beginning to be priced into some of these companies’ share prices. Trading volumes have been low and few investors appear to have been taking profits. So, whilst markets have re-rated over the year, we believe that a small number of growth stocks have re-rated significantly more than the markets.

It was notable that private equity has tended recently to be a seller rather than a buyer of assets. We have seen less private equity interest in public companies during the period than for some time.

Performance Review

In many ways, the performance of the Company's portfolio matched markets, with a significant variance in returns across the best and worst performers. In the Annual Report for the year ended 30 June 2015, we commented that higher quality smaller companies offering a combination of structural growth and reasonable valuations would probably benefit from a re-rating. This has been the case, with portfolio companies exhibiting these characteristics generating good positive returns in a declining market.

Whilst the majority of holdings by number and starting value delivered very strong returns significantly in excess of the broader markets, the exceptionally weak performance of one holding, Tribal Group, led to the overall portfolio performance falling short of both the comparator indices and the broader peer group.

Top 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
EMIS Group	9,958	167
Servelec Group	19,818	129
4imprint Group	10,018	112
Clinigen Group	11,736	111
IFG Group	8,995	110

EMIS Group delivered a total shareholder return of 24.7% over the period. It continued to deliver resilient growth and the interim results slightly exceeded expectations. The profile of the company has improved since our initial investment and the shareholder register appears to have broadened. The shares have re-rated c.50% since the initial investment was made in March 2014. The forward p/e at the end of the period exceeded 23x, having re-rated by more than 15% over the period. It remains an excellent quality asset, which should continue to grow earnings at no less than 10% per annum for the foreseeable future, whilst generating cash. However, the recent pace of re-rating is unlikely to be sustained and the shares now trade at close to its private market valuation.

Servelec Group delivered a total return of 10.3% over the period. The company has continued to deliver against expectations, although strength in the healthcare technology business has compensated for relative weakness in the controls division. Towards the end of the period, the company announced that it had been awarded preferred supplier status for its Oceano product for an acute NHS Trust. This is an important win and augurs well for the forthcoming tender activity in this part of the market over the next few years. With good earnings visibility, multiple potential organic growth opportunities and a strong balance sheet, we continue to remain positive on the prospects for the company and future shareholder returns.

4imprint Group delivered a total return of 19.3% over the period, underpinned by strong trading results at the interims in late July 2015, and a positive trading statement in late October 2015. Organic sales growth remains in the mid to high teens. The expansion of the distribution centre and offices was completed in the autumn. This $9m investment enables the company to double sales again, potentially a very high return on capital. On a forward p/e basis, the rating was unchanged over the period.

Clinigen Group delivered a total return of 14.4% over the period, releasing in line results in September 2015 and an in line AGM statement in late October 2015. The company also announced the acquisition of Link Healthcare in September 2015. Link is a speciality pharmaceutical and medical technology business which will strengthen Clinigen Group's footprint in Asia, Africa and Australasia significantly. The recent transformational acquisition of IDIS, which completed in April 2015, appears to be bedding down well. Whilst organic growth may dip in the short term as the acquisitions are integrated, we continue to believe that the company has many years of good structural growth ahead of it. Provided management execution continues to be strong, it has the potential to generate exciting future returns.

IFG Group delivered a total return of 24.2% over the period. The interim results showed continuing strong organic growth at Saunderson House and James Hay. The outlook for the rest of 2015 was positive and re-iterated in a comprehensive capital markets day in September 2015. The last remaining non-UK subsidiary was sold in Q4 2015. The forward p/e rating was broadly unchanged over the period. We continue to believe that the shares are under-owned by UK institutional investors (a result of the company's primary listing being in Dublin, despite the business units being based in London and Salisbury).

Outside of the top five contributors, other holdings enjoyed strong rises in their share prices.

Brooks MacDonald delivered a total return of 16.8% during the period. The annual results in September 2015, as well as the Q3 2015 announcement of funds under management were both ahead of expectations and demonstrated the strong organic growth of the business. The shares were volatile over the period. The CEO placed a decent proportion of his shares into the market at the end of September 2015. This led to the share price being depressed for a few weeks, before the rating recovered at the end of the period.

Smaller holdings IDOX, OMG and Volution all delivered strong returns over the period.

The holding in **IDOX**, a provider of software products and services mainly to local authorities, was initiated in August 2015. The Company was a shareholder in IDOX's competitors Civica and Northgate Information Solutions during 2007 and 2008, prior to their acquisitions by 3i and KKR respectively. Following a disappointing period of trading in its non-public sector business, its shares had de-rated significantly and were trading at a considerable discount to its private market valuation. Following a positive trading update and in-line final results in December 2015, the shares re-rated significantly. The shares returned more than 38% between the date of purchase and the end of the year.

OMG is a holding company for three distinct technology businesses. A further business unit was sold in early 2015. Trading has been strong across the two businesses which generate cash and profits. The third business unit, OMG Life, has transitioned to a licence-based business model to monetise its intellectual property by partnering with consumer electronics companies. Trading has been strong and the company has also returned significant cash to shareholders via special dividends over the past year. The total shareholder return over the period was 17.0%.

Volution is a designer and manufacturer of electric ventilation products. It is the clear market leader in the UK and Sweden. It is well managed and enjoys both considerable scale economies and high return on capital employed. A small investment was made immediately prior to the period, which was increased in a placing in November 2015. The shares have performed well, delivering a 32.1% return over the period and 30.5% between the November placing and the year end.

Bottom 5 Contributors to Performance

Company	Valuation at period end £'000	Period attribution (basis points)
Tribal Group	1,817	(671)
Goals Soccer Centres	7,149	(145)
E2V Technologies	14,322	(94)
Tyman	10,170	(37)
Northbridge Industrial Services	315	(34)

The primary negative contributors to performance were either those holdings experiencing poor trading, typically due to execution issues, or cyclical companies which de-rated.

Tribal Group delivered a brace of profit warnings in October 2015 and late December 2015, following tougher trading in the first part of 2015. The company has experienced a perfect storm during 2015 of slightly lower sales win rates, delayed project implementation at large Australian customers, an inflexible and high cost base, combined with a balance sheet which has been less resilient than it appeared. In November, Tribal Group announced the simultaneous appointment of a new chairman and senior independent director, both of whom hold the same position at Servelec, the Company's largest holding. At the same time as the December 2015 profit warning, it announced a fully underwritten standby rights issue of up to £35m to repair the balance sheet and improve financial flexibility.

At the beginning of the period, the company was forecast to generate c.£15m profit before tax compared to the current forecast out turn of £3.1m for 2015. The £15m is a level of profitability which we believe should be largely underpinned by the sticky and highly profitable support and maintenance revenues of more than £30m generated by its electronic student record system division. These profits should be supplemented by new business wins and non-Ofsted profits from its Quality Assurance division. Our primary customer referencing suggests that the company's products are well regarded and there is considerable ongoing demand. To date, this has clearly been an exceptionally disappointing investment. However, with a reconstituted board, and post the recapitalisation of the balance sheet, we believe that there are strong prospects for considerable value recovery over the medium term.

Goals Soccer Centres also released two disappointing trading updates during the period. The developer and operator of 5-a-side football pitches in the UK and North America experienced weaker than anticipated trading in the UK during the late summer period. There are two key drivers of Goals' earnings from this point. Firstly, we believe that the UK business has the potential to generate higher returns from its existing sites. Secondly, we continue to believe that there is considerable scope to grow its operations in North America, where the first site generates a significantly better return on capital employed than the UK estate. The appointment of a new director as chairman elect was announced in November 2015. The chairman elect has a strong record of delivering shareholder value in the leisure sector, most recently as CEO of Essenden plc. The combination of operational and financial gearing has amplified the sluggish sales performance of late to depress earnings.

E2V Technologies was the second largest positive contributor to the Company's performance in the year ended 30 June 2015. Since then, many of its broader peers have delivered disappointing results as well as downgrades, as a result of more challenging end market demand. However, as we have discussed before, under a revitalised management team, E2V is embarking on a multi-year project to improve returns and organic growth. During August 2015, we undertook a site visit with a member of our Industry Advisory Panel to the main site in Chelmsford to evaluate the potential for improvement and the progress made so far. It was an encouraging visit and confirmed the scope for better medium and long-term returns. The interim results in November 2015 were in line and the company has maintained its trading outlook for the year. The recent share price weakness has been driven by a de-rating, which we believe could reverse if it achieves its earnings expectations.

Tyman, the provider of hardware and seals for windows and doors for residential new build and refurbishment, experienced slightly disappointing trading in its largest market, North America. This market accounts for almost three quarters of the group's profits. Activity levels on new build remain significantly below both the peak of 2006 and the average of the last 66 years. Demand was a little weaker than anticipated across the industry in 2015, which led to small downgrades. Lead indicators of building permits and housing starts look strong for 2016. This, combined with favourable weather at the end of the period leading into 2016, augurs well for the near term.

Northbridge's shares were again weak in the period, continuing the trends we reported on in the Annual Report for the year ended 30 June 2015. The shares trade at a considerable discount to tangible net asset value and the directors have recently increased their holdings significantly. The fall in the share price has been driven by very low trading volumes and liquidity is poor.

Over the period, the average cash balance in the Company's portfolio was 11.5%, and ended the period at 13.4% following profit taking from late November 2015 onwards. The conservative approach to cash management enables us to retain the ability to participate in block transactions at short notice without being a forced seller of other holdings.

Dealing Activity

Excluding the deployment of capital raised through the issuance of New Shares, portfolio activity was lower than in recent years. Disposals netted £9.7m (excluding distributions from unlisted investments), representing around 7% of the weighted average NAV. In addition, £0.4m of net distributions were received from unlisted investments. £21.0m of purchases were made, representing 15% of the weighted average NAV.

No material positions were realised over the period, with the majority of cash being raised from profit taking and share issuance. The position in **EMIS Group** was reduced by about one third, raising £4.6m. We continue to believe that it is a very high quality company with an excellent management team, offering low risk growth. However, the pace of the re-rating appeared to be unsustainable and liquidity was sufficient to take profits. A similar case was made for taking some profits in **Brooks MacDonald** which is also well placed to grow well over the next few years. However, the shares had re-rated significantly since our initial purchase in early 2015. Despite a market capitalisation of more than £250m, trading liquidity in the shares is low. Sales totalling c.£1.7m were made at an Enterprise Value of c.3% of discretionary funds under management, compared with less than 2.4% at the point of purchase.

£1.3m was raised following a modest re-balancing of the **Wilmington** position. We continue to like the business and believe it is very reasonably priced, given its growth potential. Following the initial purchase in August 2015, £1.1m was raised from selling down the holding in **IDOX** at the end of the period. The shares have re-rated materially during the period and ended the period trading at a premium to precedent M&A multiples in the public sector software space.

The vast majority of purchases were made during the first three months of the period. £1.9m was invested in a single small block purchase of **IDOX**, a new holding. The remaining purchases were adding to existing holdings. £5.9m was invested in **Tribal Group**. As detailed in the performance report, in the short term this has proved to be an unfortunately timed investment. A further £4.1m was invested in **Servelec**. Other significant additional investments were made in **IFG Group** of £2.1m and **Volution** of £1.8m, the latter as part of a placing of stock by the majority private equity shareholder.

Portfolio Review

The Company's portfolio remained highly focused, with a total of 19 holdings and the top 10 holdings accounting for 76% of the NAV as at 31 December 2015. 85.4% of the NAV was invested in quoted companies. The percentage of the portfolio invested in unlisted securities reduced from 1.3% to 1.2% at the end of the period due to the currency-related valuation fall from Vintage I and continued distributions. 13.4% of the NAV was invested in cash at the period end.

There was very limited change in sector weights compared with June 2015, reflecting only one new smaller holding and no material realisations.

In addition to the regular results meetings, we spent a considerable amount of time meeting with representatives from portfolio companies. There were three broad categories of these additional meetings:

1. investments enjoying structural growth, which are currently performing to plan. The objective of these meetings was to perform confirmatory due diligence on the likelihood of these investments to continue to perform well;

2. investments which are cyclical, but are carrying out identified projects to improve efficiency and margins. In two cases, we were seeking to increase our understanding of the progress and potential of implementing lean manufacturing techniques at E2V and Gooch & Housego. A member of our Industrial Advisory Panel, who has considerable experience of implementing these programmes, joined us on the site visits to help us assess the prospects for improved returns; and

3. underperforming investments which we believed would benefit from change. This included meetings with other shareholders as well as directors of the companies concerned.

As previously discussed, we believe that the liquidity of UK quoted companies with market capitalisations of less than £300m has deteriorated significantly. As a result, trading out of good as well as badly performing investments can be a challenge.

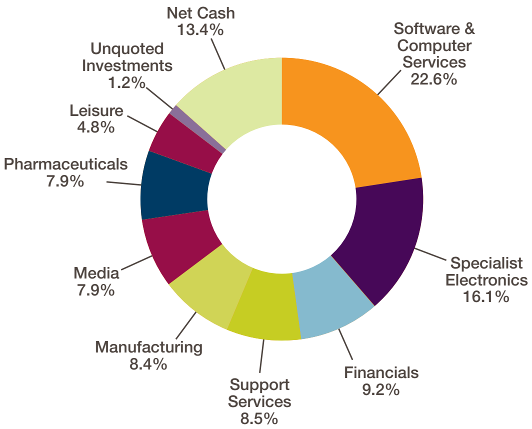
We continue to believe that investing in companies with a solid franchise and intrinsic value independent of its current profitability, as well as proactive corporate engagement is critical to help grow, defend and, where necessary, recover value. In more difficult periods, one of the benefits of a concentrated portfolio is that we have the time and experienced resource to dedicate to this activity.

Portfolio as at 31 December 2015 – Top 10 Largest Investments

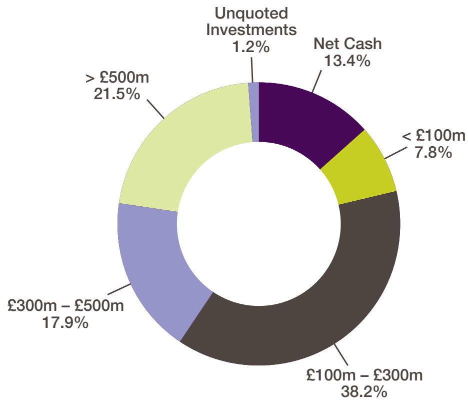
Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	% of invested portfolio at 31 December 2015	% of invested portfolio at 30 June 2015	% of net assets
Servelec Group	Software & Computer Services	Dec 2013	13,666	19,818	15.4	11.4	13.3
E2V Technologies	Specialist Electronics	Oct 2009	3,578	14,322	11.1	12.5	9.6
Wilmington Group	Media	Oct 2010	8,337	11,773	9.2	9.4	7.9
Clinigen Group	Pharmaceuticals	Jul 2014	7,948	11,736	9.1	8.3	7.9
Tyman	Manufacturing	Apr 2007	3,557	10,170	7.9	8.5	6.9
4imprint Group	Support Services	Feb 2006	1,990	10,018	7.8	7.0	6.7
EMIS Group	Software & Computer Services	Mar 2014	5,857	9,958	7.7	8.8	6.7
Gooch & Housego	Specialist Electronics	Dec 2011	5,049	9,042	7.0	7.3	6.1
IFG Group	Financial Services	Apr 2015	7,605	8,995	7.0	4.5	6.1
Goals Soccer Centres	Leisure	Mar 2012	7,092	7,149	5.6	7.7	4.8

Portfolio as at 31 December 2015

Sector split by industry



Size split by market capitalisation



The underlying operational performance of the vast majority of the portfolio remains sound. We continue to believe that a number of holdings across the portfolio have considerable medium-term scope to improve returns. Similar to the end of June 2015, the portfolio in aggregate had net cash balance sheets.

Portfolio Characteristics as at 31 December 2015

Consensus Median portfolio characteristics	Strategic Equity Capital	FTSE SmallCap ex Investment Trusts	FTSE SmallCap ex Investment Trusts ex Resources
Price/Earnings ratio (FY1)	17.0x	13.2x	13.3x
Dividend yield	2.2%	3.4%	3.5%
Price/Book ratio	2.9x	1.1x	n/a
Price/Sales ratio	2.3x	0.6x	n/a
Price/Cash flow ratio	15.7x	n/a	n/a
GVQIM Cash flow yield*	9.3%	n/a	n/a
Forecast earnings growth (FY1)	14.7%	9.6%	10.3%
Forecast net debt to EBITDA	-0.2x	2.0x	1.6x

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

The portfolio's weighted average earnings growth looks attractive compared with the broader FTSE SmallCap Index, even more so, we believe, because the portfolio is considerably less geared than the Index. A good number of portfolio companies have "self-help" opportunities to grow earnings independent of sales growth. The rating of the portfolio remains at the top end of historic ranges. This is reflective of a bar-bell of ratings across the portfolio, with higher quality, perceived "safe" structural growth holdings typically enjoying higher ratings.

It is also worth noting that if a company changes its capital structure to replace equity with increased gearing, assuming the same enterprise value, the geared company's equity will be valued on a lower p/e. As a result, we believe that were the Company's portfolio to have a similar capital structure to the average FTSE SmallCap company, the p/e premium would be far less significant.

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

Unlisted Investments

Over the period, the Company received a total of £0.4m from Vintage I. The outstanding commitment relating to Vintage I is €1,560,000 and its adviser has communicated that it does not expect to make any further net draw-downs.

Outlook

With many asset prices being indirectly or directly impacted by Quantitative Easing and persistently low nominal interest rates, a re-rating of equities during the period ended 31 December 2015 has not been surprising. However, having seen some extreme re-ratings on certain types of investments, the questions we have been asking ourselves include: a) how much buying volume has driven these significant re-ratings?; and b) who is the next new buyer of these companies at these valuations? With liquidity patchy, sudden losses of confidence and thin markets (i.e. a small number of new/ongoing buyers) can lead to sharp corrections.

At the time of writing, the start of 2016 has not been favourable to investors. Time will tell whether this is either another small mid-cycle correction, a larger late-cycle correction (such as in 1997-98 through the Asian crisis and collapse of Long-term Capital Management 'LTCM') or something of more concern.

We are mindful of the broader market environment to try and ensure we place a sensible value on existing and potential investments, as well as being realistic on the short to medium-term earnings outlook for cyclical businesses. However, by owning a very small basket of stocks, the underlying trading performance of these companies allied with our entry price will be a much more important determinant of medium to long-term NAV growth than second guessing short-term market moves.

In the Company's Annual Report for the year ended 30 June 2015, we wrote of the potential for high quality structural growth to re-rate against other companies. This appears to have played out over the last few months. Indeed, a number of commentators have now suggested that these types of stocks are trading at an all-time high valuation relative to the rest of the market. In comparison, value stocks have underperformed materially. Judging the timing is difficult but some realignment is probable over the medium term.

Within our investment universe, forecast earnings growth among the average constituent of the FTSE SmallCap Index ex Investment Trusts has increased to c.10%, driven by another year of "recovered" earnings following aggregate misses in 2015. We remain healthily sceptical of this market-wide forecast earnings growth rebound. On a p/e basis, the FTSE SmallCap Index appeared relatively good value at the beginning of the year at just over 13x. However, we believe there is a bar-bell of companies in this index, with higher growth companies trading on much higher ratings and low or no-growth companies still trading on p/e's of around 10x.

In the Annual Report, we set out six investment tactics which we were seeking to utilise. We believe that these tactics remain appropriate for the current markets. In addition, it is likely that we will continue to see opportunities to gradually top slice some of the higher quality structural growth investments which have re-rated materially over our period of ownership, into existing and new holdings which are substantially undervalued or are reasonably priced for their growth potential.

In our opinion, the vast majority of the portfolio is in good health. The significant underperformers of the 2015 calendar year have refreshed boards and significant scope to deliver good value recovery over the medium term. The aggregate balance sheets of the portfolio companies and the Company itself are strong, which should provide more optionality if markets deteriorate further. Market weakness is also likely to enable us to broaden our pipeline of potential new investments.

Stuart Widdowson/Jeff Harris
GVQ Investment Management Limited
17 February 2016

Top 10 Investee Company Review
(as at 31 December 2015)

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

Clinigen 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 just under 2% of the company's equity.

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

Goals Soccer Centres is a developer and operator of 5-a-side soccer centres in the UK and North America, trading from 46 centres. In early 2012, the company announced that it would significantly reduce the speed of rolling out new sites for 12 to 18 months. Given that the roll-out of sites requires significant capital, the impact of this change was to increase the free cash generation of the business and drive a large degearing of its balance sheet. The entry valuation was a significant discount to precedent M&A – specifically the acquisition of its only major competitor, Powerleague, by Patron Capital in 2009. The management team and board are working together to optimise operational performance and return the business to growth in the UK and North America. A new non-executive director was appointed in late 2015 who will become chairman in 2016. Funds managed by the Investment Manager currently hold 7% of the company's equity.

Gooch & Housego is a global market leader in the design and manufacture of specialist optical components and subsystems. Funds managed by the Investment Manager previously invested in the company during 2010 and the Investment Manager knows the business and management team well. The company's shares 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 has 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. The appointment of a new CEO has the potential to accelerate medium-term shareholder returns. Funds managed by the Investment Manager currently hold 4% of the company's equity.

IFG Group is a financial services holding company with two operating assets. London-based Saunderson House is an advisory-only wealth manager with more than £4bn assets under advice. James Hay is an investment platform, originally a pioneer in the provision of Self-Invested Pension Plans ("SIPPs"). Over the past few years, IFG has sold a number of other activities to focus on Saunderson House and James Hay. We believe that both of these businesses offer long-term structural sales growth, as well as scope to make higher margins. 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-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. Funds managed by the Investment Manager currently hold approximately 8% of the company's equity.

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

Top 10 Investee Company Review

(as at 31 December 2015) *(continued)*

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
17 February 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.

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

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

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

- the Half-Yearly Report includes a fair review of the information required by:
  (a) DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

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

This Half-Yearly Report was approved by the Board of Directors on 17 February 2016 and the above responsibility statement was signed on its behalf by Richard Hills, Chairman.

Going Concern

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

Principal Risks and Uncertainties

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

The principal risks and uncertainties are substantially unchanged and are set out on pages 18 and 19 of the Annual Report, which is available at www.strategicequitycapital.com.

Following a review of internal controls and the risk matrix by the Audit Committee in February 2016, the Directors have re-categorised these risks under the following headings:

- investment performance;
- operational risk;
- regulatory, compliance and legislation;
- discount/premium; and
- political, economic and external factors.

Statement of Comprehensive Income
for the six month period to 31 December 2015

		Six month period to 31 December 2015 unaudited			Year ended 30 June 2015 audited			Six month period to 31 December 2014 unaudited		
	Note	**Revenue return £'000**	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investments										
(Losses)/gains on investments held at fair value through profit or loss	6	**–**	**(3,527)**	**(3,527)**	–	26,992	26,992	–	10,712	10,712
Currency losses		**–**	**(2)**	**(2)**	–	–	–	–	–	–
		–	**(3,529)**	**(3,529)**	–	26,992	26,992	–	10,712	10,712
Income										
Dividends	2	**1,271**	**–**	**1,271**	2,142	223	2,365	1,127	223	1,350
Interest	2	**38**	**–**	**38**	34	–	34	12	–	12
Total income		**1,309**	**–**	**1,309**	2,176	223	2,399	1,139	223	1,362
Expenses										
Investment Manager's fee	8	**(727)**	**–**	**(727)**	(1,064)	–	(1,064)	(483)	–	(483)
Investment Manager's performance fee	9	**–**	**–**	**–**	–	(2,371)	(2,371)	–	(1,679)	(1,679)
Other expenses	3	**(340)**	**–**	**(340)**	(532)	(67)	(599)	(260)	(66)	(326)
Total expenses		**(1,067)**	**–**	**(1,067)**	(1,596)	(2,438)	(4,034)	(743)	(1,745)	(2,488)
Net return/(loss) before taxation		**242**	**(3,529)**	**(3,287)**	580	24,777	25,357	396	9,190	9,586
Taxation		**(16)**	**–**	**(16)**	(5)	–	(5)	–	–	–
Net return/(loss) and total comprehensive income for the period		**226**	**(3,529)**	**(3,303)**	575	24,777	25,352	396	9,190	9,586
		pence	**pence**	**pence**	pence	pence	pence	pence	pence	pence
Return per Ordinary share										
Basic	5	**0.34**	**(5.23)**	**(4.89)**	0.99	42.77	43.76	0.69	16.08	16.77

The total column of the statement is the Statement of Comprehensive Income of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC").

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued in the period.

These financial statements have been prepared under IFRS, and in accordance with the accounting policies.

The notes on pages 22 to 27 form an integral part of these Half-Yearly financial statements.

Statement of Changes in Equity
for the six month period to 31 December 2015

	Note	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
For the six month period to 31 December 2015 unaudited								
1 July 2015		**6,258**	**16,330**	**38,932**	**71,358**	**2,264**	**1,100**	**136,242**
Net (loss)/return and total comprehensive income for the period		**–**	**–**	**–**	**(3,529)**	**–**	**226**	**(3,303)**
Dividend paid	**4**	**–**	**–**	**–**	**–**	**–**	**(534)**	**(534)**
Share issues		**728**	**15,769**	**–**	**–**	**–**	**–**	**16,497**
Share issue costs		**–**	**(362)**	**–**	**–**	**–**	**–**	**(362)**
31 December 2015		**6,986**	**31,737**	**38,932**	**67,829**	**2,264**	**792**	**148,540**
For the year to 30 June 2015 audited								
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
Dividend paid	4	–	–	–	–	–	(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
For the six month period to 31 December 2014 unaudited								
1 July 2014		5,955	5,246	42,650	46,581	2,026	971	103,429
Net return and total comprehensive income for the period		–	–	–	9,190	–	396	9,586
Dividend paid	4	–	–	–	–	–	(446)	(446)
Shares bought back for cancellation & treasury		(238)	–	(3,900)	–	238	–	(3,900)
31 December 2014		5,717	5,246	38,750	55,771	2,264	921	108,669

These financial statements have been prepared under IFRS, and in accordance with the accounting policies.

The notes on pages 22 to 27 form an integral part of these Half-Yearly financial statements.

Balance Sheet
as at 31 December 2015

	Note	As at 31 December 2015 unaudited £'000	As at 30 June 2015 audited £'000	As at 31 December 2014 unaudited £'000
Non-current assets				
Investments held at fair value through profit or loss	6	**128,598**	121,439	96,830
Current assets				
Trade and other receivables		**329**	363	132
Cash and cash equivalents		**20,101**	17,312	13,711
		20,430	17,675	13,843
Total assets		**149,028**	139,114	110,673
Current liabilities				
Trade and other payables		**488**	2,872	2,004
Net assets		**148,540**	136,242	108,669
Capital and reserves:				
Share capital	7	**6,986**	6,258	5,717
Share premium account		**31,737**	16,330	5,246
Special reserve		**38,932**	38,932	38,750
Capital reserve		**67,829**	71,358	55,771
Capital redemption reserve		**2,264**	2,264	2,264
Revenue reserve		**792**	1,100	921
Total shareholders' equity		**148,540**	136,242	108,669
		pence	pence	pence
Net asset value per share				
Basic		**212.63**	217.69	190.43
		number	number	number
Shares in issue				
Ordinary shares	7	**69,858,891**	62,583,891	57,066,291

These financial statements have been prepared under IFRS, and in accordance with the accounting policies.

The notes on pages 22 to 27 form an integral part of these Half-Yearly financial statements.

Statement of Cash Flows
for the six month period to 31 December 2015

	Six month period to 31 December 2015 unaudited £'000	Year ended 30 June 2015 audited £'000	Six month period to 31 December 2014 unaudited £'000
Operating activities			
Net (loss)/return before finance costs and taxation	**(3,287)**	25,357	9,586
Adjustment for losses/(gains) on investments	**3,527**	(26,992)	(10,712)
Currency losses	**2**	–	–
Irrecoverable withholding tax	**(16)**	(5)	–
Share buy back expenses	**–**	67	66
Operating cash flows before movements in working capital	**226**	(1,573)	(1,060)
Increase in receivables	**(34)**	(27)	(68)
(Decrease)/increase in payables	**(2,291)**	2,130	1,354
Purchases of portfolio investments	**(21,091)**	(44,643)	(12,813)
Sales of portfolio investments	**10,380**	42,335	19,014
Net cash flow from operating activities	**(12,810)**	(1,778)	6,427
Financing activities			
Equity dividend paid	**(534)**	(446)	(446)
Shares bought back in the period	**–**	(3,900)	(3,900)
Shares issued	**16,497**	11,712	–
Shares sold from treasury	**–**	212	–
Share issue expenses	**(362)**	(117)	–
Tender offer expenses	**–**	(67)	(66)
Net cash flow from financing activities	**15,601**	7,394	(4,412)
Increase in cash and cash equivalents for period	**2,791**	5,616	2,015
Cash and cash equivalents at start of period	**17,312**	11,696	11,696
Revaluation of foreign currency balances	**(2)**	–	–
Cash and cash equivalents at end of the period	**20,101**	17,312	13,711

These financial statements have been prepared under IFRS, and in accordance with the accounting policies.

The notes on pages 22 to 27 form an integral part of these Half-Yearly financial statements.

Notes to the Financial Statements
for the six month period to 31 December 2015

1.1 Corporate information

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

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

1.2 Basis of preparation/statement of compliance

The condensed interim financial statements of the Company have been prepared on a going concern basis and in accordance with IAS 34, 'Interim financial reporting' issued by the IASB (as adopted by the EU). They do not include all the information required for a full report and financial statements and should be read in conjunction with the report and financial statements of the Company for the year ended 30 June 2015, which have been prepared in accordance with IFRS as adopted by the EU. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trust companies and venture capital trusts issued by the AIC (as revised in November 2014) is consistent with the requirements of IFRS, the Directors have sought to prepare financial statements on a basis compliant with the recommendations of the SORP.

The condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial statements for the six month periods to 31 December 2015 and 31 December 2014 have not been either audited or reviewed by the Company's Auditor. Information for the year ended 30 June 2015 has been extracted from the latest published Annual Report and financial statements, which have been filed with the Registrar of Companies. The report of the Auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

Convention

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

Segmental reporting

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

1.3 Accounting policies

The accounting policies, presentation and method of computation used in these condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended 30 June 2015.

1.4 New standards and interpretations not applied

Implementation of changes and accounting standards in the financial periods as outlined in the financial statements for the year ended 30 June 2015 had no significant effect on the accounting or reporting of the Company.

2. Income

	Six month period to 31 December 2015 unaudited			Year ended 30 June 2015 audited			Six month period to 31 December 2014 unaudited		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Income from investments:									
UK dividend income	**1,183**	**–**	**1,183**	1,998	223	2,221	1,062	223	1,285
Overseas dividend income	**88**	**–**	**88**	144	–	144	65	–	65
	1,271	**–**	**1,271**	2,142	223	2,365	1,127	223	1,350
Liquidity interest	**38**	**–**	**38**	34	–	34	12	–	12
	1,309	**–**	**1,309**	2,176	223	2,399	1,139	223	1,362
Total income comprises:									
Dividends	**1,271**	**–**	**1,271**	2,142	223	2,365	1,127	223	1,350
Liquidity interest	**38**	**–**	**38**	34	–	34	12	–	12
	1,309	**–**	**1,309**	2,176	223	2,399	1,139	223	1,362
Income from investments:									
Listed UK	**1,183**	**–**	**1,183**	1,998	223	2,221	1,062	223	1,285
Listed overseas	**88**	**–**	**88**	144	–	144	65	–	65
Liquidity interest	**38**	**–**	**38**	34	–	34	12	–	12
	1,309	**–**	**1,309**	2,176	223	2,399	1,139	223	1,362

3. Other expenses

	Six month period to 31 December 2015 unaudited			Year ended 30 June 2015 audited			Six month period to 31 December 2014 unaudited		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	**49**	**–**	**49**	90	–	90	40	–	40
Auditors' remuneration for:									
Audit services	**17**	**–**	**17**	28	–	28	15	–	15
Directors' remuneration	**67**	**–**	**67**	126	–	126	64	–	64
Other expenses	**207**	**–**	**207**	288	67†	355	141	66†	207
	340	**–**	**340**	532	67	599	260	66	326

† Expenses incurred in relation to the tender offer process.

4. Dividend

The Company paid a final dividend of 0.78p in respect of the year ended 30 June 2015 (30 June 2014: 0.78p) per Ordinary share on 68,483,891 (30 June 2014: 57,176,013) shares, amounting to £534,174 (30 June 2014: £445,973). The dividend was paid on 18 November 2015 to Shareholders on the register at 16 October 2015. In line with previous years, the Board does not intend to propose an interim dividend.

5. Return per Ordinary share

	Six month period to 31 December 2015			Year ended 30 June 2015			Six month period to 31 December 2014		
	Revenue return pence	**Capital return pence**	**Total pence**	Revenue return pence	Capital return pence	Total pence	Revenue return pence	Capital return pence	Total pence
Return per Ordinary share	**0.34**	**(5.23)**	**(4.89)**	0.99	42.77	43.76	0.69	16.08	16.77

Returns per Ordinary share are calculated based on 67,528,728 (30 June 2015: 57,935,809 and 31 December 2014: 57,150,371) being the weighted average number of Ordinary shares, excluding shares held in treasury, in issue throughout the period.

6. Investments

	31 December 2015 £'000
Investment portfolio summary:	
Listed investments at fair value through profit or loss	**126,809**
Unlisted investments at fair value through profit or loss	**1,789**
	128,598

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

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

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

6. Investments *(continued)*

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

Financial instruments at fair value through profit and loss as at 31 December 2015

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Equity investments and limited partnership interests	126,809	–	1,789	**128,598**
Liquidity funds	–	18,569	–	**18,569**
Total	**126,809**	**18,569**	**1,789**	**147,167**

The below table presents the movement in level 3 instruments for the period ended 31 December 2015 by class of financial instrument.

	Equity investments £'000
Opening balance at 1 July 2015	**1,842**
Proceeds from disposals during the period	**(426)**
Gains on disposals during the period	**393**
Total losses for the period included in the Statement of Comprehensive Income	**(20)**
Closing balance at 31 December 2015	**1,789**

Investments in unquoted investment funds are generally held at the valuations provided by the managers of those funds. The valuation for Vintage I is as at 30 November 2015.

There were no transfers between levels for the period ended 31 December 2015.

A list of the top ten portfolio holdings by their aggregate market values is given in the Investment Manager's Report on page 11.

	31 December 2015 Total £'000
Analysis of capital gains:	
Gains on sale of investments	**2,924**
Movement in investment holding gains	**(6,451)**
	(3,527)

7. Share capital

	Number	31 December 2015 £'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2015	62,583,891	6,258
Issued shares	7,275,000	728
Ordinary shares in issue at 31 December 2015	**69,858,891**	**6,986**

8. Investment Manager's fee

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

The Investment Manager is also entitled to a performance fee, details of which are set out below. No performance fee has been payable in the period.

9. Investment Manager's performance fee

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

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

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

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

10. Taxation

The tax charge for the half year is £16,000 (30 June 2015: £5,000; 31 December 2014: £Nil). The tax charge is wholly comprised of irrecoverable withholding tax. The estimated effective corporation tax rate for the year ended 30 June 2015 is 0%. This is because investment gains are exempt from tax owing to the Company's status as an investment company and there is expected to be an excess of management expenses over taxable income.

11. Capital commitments and contingent liabilities

The Company has a commitment to invest €1,560,000 in Vintage I (30 June 2015: €1,560,000; 31 December 2014: €1,560,000).

12. Related party transactions and transactions with the Investment Manager

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

The amounts payable to the Investment Manager, in respect of management fees, during the period to 31 December 2015 was £727,000 (30 June 2015: £1,064,000; 31 December 2014: £483,000), of which £368,000 (30 June 2015: £309,000; 31 December 2014: £257,000) was outstanding at 31 December 2015. The amount due to the Investment Manager for performance fees at 31 December 2015 was £Nil (30 June 2015: £2,371,000; 31 December 2014: £1,679,000).

13. Financial summary restatement

	As at 31 December 2014 as previously stated	Adjustment	As at 31 December 2014 restated
Capital return			
NAV (statutory) per Ordinary share	190.43p	–	190.43p
Ordinary share price (mid-market)	188.50p	5.00p	193.50p
(Discount)/premium of Ordinary share price to NAV	(1.0)%	2.6%	1.6%
Average discount of Ordinary share price to NAV for the period	(7.6)%	3.6%	(4.0)%
Total assets (£'000)	110,673	–	110,673
Equity Shareholders' funds (£'000)	108,669	–	108,669
Ordinary shares in issue with voting rights	57,066,291	–	57,066,291

	Six month period to 31 December 2014 as previously stated	Adjustment	Six month period to 31 December 2014 restated
Performance			
Total return for the period	10.1%	–	10.1%
Ongoing charges – annualised	1.28%	0.12%	1.40%
Revenue return per Ordinary share	0.69p	–	0.69p
Dividend yield	1.12%	(1.12)%	n/a
Proposed dividend for period	n/a	–	n/a

The restatement only affects those figures stated in the Financial Summary and has no impact on the financial statements for the six month period ended 31 December 2015 or the financial statements for the six month period ended 31 December 2014. This was the result of an administrative error and therefore certain figures in the 31 December 2014 comparatives have been restated.

Directors and Advisers

Directors
Richard Hills (Chairman)
Sir Clive Thompson (Deputy Chairman)
William Barlow (appointed 1 February 2016)
Ian Dighé (resigned 11 November 2015)
Josephine Dixon
Richard Locke

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191 West George Street
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Broker
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Custodian
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London E14 5NT

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Solicitor
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London EC2M 7SH

Shareholder Information

Financial calendar

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

Share price

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

Share dealing

Shares can be traded through your usual stockbroker.

Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services plc ("Registrar"). In the event of queries regarding your holding, please contact the Registrar, on 0370 889 4086. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 28.

NAV

The Company's NAV is announced daily to the London Stock Exchange.

Website

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

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

A member of the Association of Investment Companies

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