

Strategic Equity Capital plc
**Half Yearly Report &
Financial Statements**

for the six months to 31 December 2008

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 securities quoted on any securities market operated by the London Stock Exchange that the Investment Manager believes 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 listed or traded on other recognised stock exchanges and up to 20% of the Company's gross assets at the time of investment in unlisted securities and in any class of debt or equity related instruments.

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Capital structure

Issued share capital

72,626,000 ordinary shares of 10p each: £7,262,600

The Company has been incorporated with an indefinite life. All shares have equal voting rights.

Treasury shares

During the six months to 31 December 2008 the Company repurchased 1,463,000 ordinary shares which are held in treasury.

During the year to 30 June 2008 the Company repurchased 1,582,500 (30 June 2007: nil) Ordinary shares which are held in treasury. At the date of this report a total of 3,045,500 ordinary shares are held in treasury.

Financial summary

	1 July 2008 to 31 December 2008	Year to 30 June 2008	1 July 2007 to 31 December 2007
Total return:			
Total return	£(25,759,000)	£(26,857,000)	£(15,975,000)
Return per ordinary share*	(36.91)p	(37.14)p	(21.99)p
Revenue:			
Net revenue after taxation	£117,000	£(4,000)	£(47,000)
Revenue return per ordinary share*	0.17p	(0.01)p	(0.06)p
Assets (investments valued at bid-market prices):			
	As at 31 December 2008	As at 30 June 2008	As at 31 December 2007
Net assets	£28,252,000	£54,851,000	£66,743,000
Net asset value ("NAV") per ordinary share			
– (including current period revenue)	40.60p	77.21p	91.96p
Middle market quotation:			
Ordinary shares	14.50p	66.25p	70.00p
Discount to NAV	(64.29)%	(14.20)%	(23.88)%

* Returns per ordinary share are calculated based on 69,782,429 (30 June 2008: 72,314,265 and 31 December 2007: 72,623,283) being the weighted average number of ordinary shares, excluding shares held in treasury, in issue throughout the period.

Chairman's statement

The six month period ended 31 December 2008, has been the most difficult in recent equity market history. The stock markets experienced dramatic falls as the banking crisis fully unfolded, bringing about one of the worst bear markets in modern times. Almost all asset classes performed badly, and within that, smaller companies underperformed larger, more liquid securities. Ratings have fallen significantly, discounting substantial further reductions in corporate earnings. This, coupled with severe credit shortages has meant that companies with higher debt levels have been severely marked down. Private equity and corporate M&A have almost completely dried up as finance has been very difficult to raise, whether leveraged debt in the case of private equity or corporate debt or equity in the case of corporate buyers. The removal of the 'long term buyer' has meant that, in some cases, valuations have fallen to very attractive levels for longer term investors.

The FTSE Smaller Companies (excluding Investment Trusts) Index fell 38.9% in the six months, bringing the fall from its peak in 2007, to 62.8%. At 31 December, the Index was at a similar level to April 1993, having given up nearly 16 years of gains. By contrast, the FTSE All-Share Index was down only 22.6% in the six months, and 36.5% off its peak.

Within the various indices, there has been extreme volatility. Financials, automotive, industrial and the resources sectors were worst affected, where the major sector indices were down more than 50%, in the period. Investment themes have also shown significant dispersion in performance, with value-based strategies significantly underperforming. This has led to a number of well-established value style fund managers recording their worst performances on record.

In this environment it has again been extremely difficult to generate absolute returns. However, the project based investment philosophy that the Company pursues enables a focus on opportunities aimed at realising value over the period of the project. Although the macroeconomic environment has deteriorated rapidly and presented new challenges, now more than ever, a clear management plan is required to steer companies through these difficult times and hence we remain confident that the philosophy is sound and should deliver long term performance.

Performance

At 31 December 2008 the Company had net assets of £28.3 million which equates to an NAV per share of 40.60p, a decrease of 47.4% since June 2008 (net asset value of 77.21p per share). This performance is very disappointing, particularly as it has arisen from substantial de-ratings of companies whose share prices have previously been resilient. The concentrated nature of the portfolio has meant that the impact of certain falls on net asset value has been significant. More detail is provided in the Investment Manager's review.

Volatility has continued into January 2009. Stability in the credit markets and financial system is necessary for equity markets to improve. The unaudited NAV per share as at 31 January 2009 was 37.92p.

Investment Manager

The Company's portfolio is managed by SVG Investment Managers Limited. Its detailed investment processes and techniques are focussed on companies that can benefit from strategic, operational and management initiatives.

Investment strategy

The Company's investment strategy remains to achieve absolute returns by investing in securities which the Manager believes are undervalued and could benefit from strategic, operational or management initiatives. The Company's investment horizon is typically three to five years. The techniques adopted focus around valuation metrics, due diligence, ongoing dialogue and the formulation and agreement of a clear value creation plan with management.

Borrowing Facility

In current markets the Company has no immediate plans to use its borrowing facility. The Company had no borrowings at 31 December 2008.

Dividend

The Directors expect that any returns for shareholders will derive primarily from the capital appreciation of the Ordinary shares rather than from dividends. The Directors intend only to declare final dividends and then to the extent necessary to maintain investment trust status. Accordingly, the Board does not intend to declare an interim dividend.

Discount management

Given the wide discount that the Company reached in November and December 2007, the Board decided to use its authority to enact an ad hoc buy-back programme. The programme commenced shortly before Christmas 2007 and has been used tactically since then.

In October 2008, the Board was made aware of a minority group of shareholders which had indicated a preference for realising their investment. Accordingly, I obtained the views of shareholders representing over 90 per cent of the issued share capital, who indicated a strong view that the Company should continue to pursue its investment strategy. Following this process, the Board announced that it had re-examined its buy-back policy in light of market conditions and had concluded that, whilst it will continue to use its share buy-back authority where it can be applied for the benefit of all shareholders, it believed it impractical to seek to reduce the discount to 10 per cent or less during the prevailing market conditions. However, the Board gave a commitment to shareholders that it would present an ordinary resolution at the annual general meeting of the Company in November 2010 where shareholders will vote on the continuation of the Company.

The Board will continue to regularly review its stance on share buy-backs. In view of the continued uncertain and volatile market conditions, the Board's view on discount management has not changed since the October announcement.

As at 31 December 2008, the Company had bought back a total of 3,045,500 shares at an average price of 61.45p per share, representing a weighted average discount of 19.2% to NAV. Shares bought back are held in treasury.

Outlook

The continued volatility and uncertainty surrounding equity markets will undoubtedly present both opportunities and threats. For investors prepared to take a long term view and to back strong management teams, there are a growing number of interesting, value investment opportunities. In the short term, companies are likely to remain cash constrained as banks rebuild balance sheets. This will undoubtedly hinder near term corporate performance as efforts are focused on cash preservation. The challenge for companies and investors alike is therefore to manage through the difficult periods and to create the right platform to take advantage of the eventual upturn.

It is my belief that the Company's portfolio, where investments are based around clear value creation plans, is well positioned to do this.



J Hodson
12 February 2009

Investment management report

Portfolio review

At 31 December 2008, the Company had net assets of £28.3 million (40.60p per share), held 2.8% cash and a portfolio of 24 companies. The investment strategy remains highly focused, with the top 10 holdings accounting for 77% of the portfolio at the end of the calendar year. Investments are typically made on the basis of a three to five year plan. Evidence that the current economic environment is having a marked impact on almost all businesses has become increasingly clear, particularly after the severe fall out in the global banking sector, highlighted when Lehman Brothers failed. The consequence has seen significant earnings downgrades across the UK market and severe pressure on cash flows. Within the portfolio, the slowdown has affected different companies in different ways, and whilst we remain pleased that the majority of management teams are adapting their operating and strategic plans accordingly, the time horizon for achieving these has become less clear. In the short term, strategies are likely to focus on balance sheet preservation and positioning businesses to win market share from weaker rivals on a recovery.

Private equity activity almost ceased in the fourth quarter of 2008, as debt has become extremely scarce. Corporate activity likewise has slowed, as management teams try to balance historically low prices with the uncertainty of the macroeconomic climate. Four companies in the portfolio were in or remain subject to takeover talks in the period, but none have yet come to fruition.

Our ability to engage directly with companies has increased in the current financial environment. Bank debt is more difficult and expensive to raise and equity markets are extremely unpredictable, meaning new equity issues are difficult and uncertain. We have seen and expect to continue to see a high number of refinancing opportunities. In this environment, we will be highly selective about which, if any, we participate in. In the interim, our attentions have focused on existing investments where we have been active in engaging with management teams to ensure that appropriate actions are being taken to preserve equity value.

Performance

The period's performance has been overshadowed by the unprecedented fallout in the global banking sector and the extreme volatility experienced in equity markets. Our approach of applying private equity techniques in the public markets has proved successful in most cases where we have been able to follow an investment from inception through to completion and exit. In the current environment, however, the absence of the private equity and the corporate buyer, coupled with the disappearance of any meaningful liquidity in the smaller companies market, has meant exiting investments at sensible prices have been impossible. This has been particularly evident in cases where forced sellers have driven prices down on relatively small volumes. The underlying performance of the Fund has been disappointing, but should be seen in the context of the smaller companies' sector, in which we operate and the extreme volatility experienced during the period. We remain confident that there is significant value in the portfolio and that, with a return of modest equity appetite, significant value will re-emerge.

Realisations

The project based investment style dictates that, over time, performance will be driven by realisations. As already mentioned, the conditions during the second half of 2008 have made realisations extremely difficult. We completed only two realisations during the period. We had begun the process of disposing of our holding in **Evolution** during the first half of 2008. The decision to exit was driven by our view that management's strategy had moved somewhat, in terms of reducing their net cash exposure to fund their trading book, however, the full potential value realisation strategy was not to be pursued. The process was completed resulting in a 0.78x multiple. We also exited our remaining holding in STV Group (formerly SMG Group) during the period. We supported the new strategy outlined for the business by CEO Rob Woodward at the time he went in and remain of the view that it is the right one for the business. However, the values realised for the disposals and, more importantly, the extremely weak outlook for television advertising and STV's exposure to ITV led us to believe that the turnaround will be significantly more costly and complex than originally thought. The majority of our residual investment was realised through participating in a tender offer completed in October 2008. The investment returned 0.48x cost.

Performance review

The most significant negative contributors to the Company's NAV during the period were **Redstone, Pinewood Shepperton, Mecom, Entertainment Rights, Renold and Intec Telecom.**

Redstone is an integrated telecom and IT service provider to the small and mid cap corporate market. The share price fell significantly on the back of earnings downgrades driven by reduced IT spending, a slowdown in infrastructure spending and some concerns over the company's balance sheet. We have had close contact with the company and understand that bank arrangements are being renegotiated and that the company has significantly reduced its cost base. The company is well placed to win further contracts in the Government's Building Schools for the Future ('BSF') programme and believe the long term drivers of convergence between voice, data and other communications will provide strong future growth.

Pinewood Shepperton owns and manages film and television studios, based on the western perimeter of London and provides property and ancillary services to the media industry. The company has planning consents to develop up to 1.8 million square feet on its freehold property for media use. Some of this development has commenced on the back of pre-lets, which will lead to rental income growth in the near term. The share price has fallen on the back of diminishing interest in property. The biggest fall, however, occurred when Pinewood fell out of the All-Share Index in December as a result of the new FTSE Index liquidity rules. The shares are tightly held and the move out of the index led to a fall of approximately 35%. The underlying business remains strong, in our view, supported by the company's trading update in November, which stated that revenue is ahead of prior year and demand for both TV and film remains strong.

Mecom is an integrated European newspaper business with interests in Germany, Poland, Scandinavia and the Netherlands. The business was founded by David Montgomery and has been built over the past three years through a number of acquisitions, many of which were financed with debt. The share price has fallen heavily after the company announced that its earnings before interest tax and depreciation would fall some 10% below market expectations. With further uncertainty about the state of the European regional newspaper market, the equity market now expects Mecom to breach covenants, although the company has stated that it remains within covenants at this stage. The company announced that it was considering a number of potential disposals to reduce debt. Since the year end, it has announced the sale of its German business for €152 million. We believe this disposal will significantly reduce the risk of covenant breaches and will in any event build goodwill with the banks which will allow the business to continue its strategy to reduce debt. Whilst this was well received, the company then announced that as a result of significant differences of view on the board, a number of directors had resigned. The major shareholders continue to support David Montgomery.

Entertainment Rights owns and develops children's media rights for television, home entertainment and merchandise. In July 2008, following a strategic review, the CFO departed and the company announced that it had had to re-negotiate a key distribution contract in the USA which would lead to a substantial reduction in earnings. This led to fears about covenant breaches and triggered a further investigation into the company's financial affairs instigated by the banks. It has subsequently become evident that the company's true financial performance had been misrepresented to the board and to shareholders through aggressive accounting policies. A new CFO with a wealth of turnaround experience has since been appointed and the CEO role has been assumed by the former head of the North American business. The two are working closely with the banks. In December 2008, the company announced that it had received an approach for the business. Whilst the underlying business is now relatively stable under the new management, until the debt levels are addressed, the equity is unlikely to have any meaningful value. The 'misrepresentation' of information to the board may well lead to further investigations on behalf of the broad shareholder base.

Intec Telecom supplies software solutions that provide interconnect billing and settlement services between telecom companies and their customers. In May 2008, Intec received an unsolicited approach to buy the company. These talks had continued until October when they were terminated, as a result of market conditions. The process had failed to generate a firm bid at a level which the board could recommend to shareholders. Notwithstanding this, the results for the year ended 30 September 2008, came in significantly above analyst expectations. The outlook for H1 2009 is very positive, but management comment over H2 is understandably cautious.

Investment management report

(continued)

Renold is an engineering company whose major activity is the manufacture and supply of industrial chain. The share price has been hit by fears over the capital goods sector and falling orders. Until the year end, the company had retained its forecasts for the year, but trading in November and December was significantly behind expectations. The short term outlook remains uncertain and this has significantly affected the share price.

Two positive contributors to NAV during the period were **Vintage 1** and **4imprint**.

Vintage 1 is a securitised private equity fund of funds portfolio managed by Mizuho bank. The structure was set up as a €500m fund comprising €300m of senior debt and €200m of subordinated notes. The investment was made as it provided access to a high quality initial portfolio transferred in at GP NAV. SVG was instrumental in selecting the underlying fund commitments and structure and it provided the Company exposure to European private equity opportunities. The performance to date has been very strong, with senior debt paid down to €100m and cash returns to investors of 32% of their called investment. A further cash return of 12% of called capital has been made in January 2009. The positive contribution arose entirely from the appreciation of the euro against sterling as the investment is euro denominated. This has offset modest write-downs in the portfolio.

4imprint provides direct marketing and promotional products in the UK and USA. The executive chairman is continuing to execute his strategic plan. The share price recovered from its lows after a trading statement revealed that, whilst activity in North America had slowed, the business was still growing. Director buying has also fuelled sentiment.

Corporate activity

Our policy of ongoing corporate engagement has been very much in evidence during the last six months with evidence of value improvement from previous engagements coming to the fore as well as further engagement taking place.

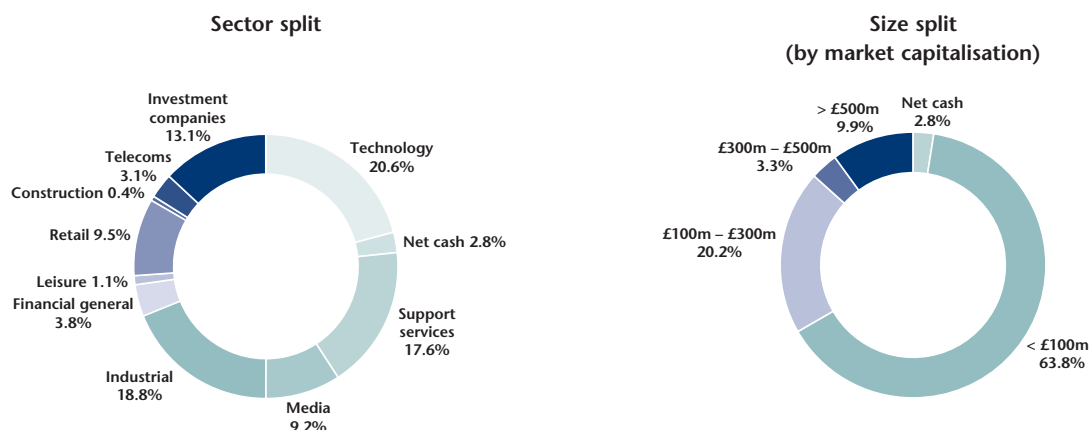
After a weak share price performance in Q3 2008, **RPC** rebounded strongly at the end of November following the company's interim results announcement. In the announcement, amongst other things, the company stated that the strategic review had led to a significant operational and commercial improvement programme which would improve return on capital by at least 4%. This review had been instigated after a change of chairman earlier in the year. We had been engaged with the company in concert with North Atlantic Value in the run up to both the chairman change and the strategic review.

Filtronic paid a further special dividend of 40p per share, distributing further proceeds from the disposal and corporate restructuring programme led by chairman John Poulter. We have been in close communication with the management since John Poulter's selection in 2006, having become involved in the months leading to his appointment.

In October 2008, we cornerstoned a placing by **Statpro**, which had hitherto been a toe-hold investment. Statpro's principal banking relationship was with Kaupthing, which was put into administration by the UK government. This meant that the remainder of Statpro's undrawn banking lines were immediately cancelled. We immediately began discussions with the company and participated in a discounted placing aimed at replacing the 'lost' facilities. The actions taken in conjunction with Statpro illustrate some of the benefits to companies of our engaged investment style.

New investments

Two new small investments were made in the period. In July, the Company took a small holding in the issue of convertible preference shares by **Inspired Gaming**. The preference shares convert into shares or are redeemed at 100% premium to their par value on the disposal of the business. Management and the major shareholders are engaged actively in talks to dispose of the business. We also participated in a placing of shares by **Avingtrans** in September. The investment is a toe-hold investment to support the chairman who has a clear value creation plan centred on the re-focusing of the group towards core activities and development into China.



Outlook

The weak outlook for the global economy and shortage of credit will undoubtedly provide challenging conditions for our investee companies in the weeks and months ahead. However, we believe a strategy which aims to work with management teams, ensuring that efforts are focused on cash generation and shareholder value will generate strong returns in the future. Valuations are at historically low levels on traditional metrics, providing significant opportunities for equity performance.

The quality of the portfolio and the inherent opportunity therein, is well illustrated when its characteristics are looked at with an estimated price to earnings ratio of under 4.0x and a price to book value of under 0.5x. In addition, the portfolio’s earnings growth achieved and the forecast growth are superior to that of the market.

Our ability to recycle cash from future realisations into these opportunities is highly attractive. Coupled with the current discount at which the Company’s shares are trading to the underlying net asset value, the opportunity for value creation for shareholders should be substantial.

SVG Investment Managers Limited
12 February 2009

All statements of opinion and/or belief contained in this Investment Management 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 SVG Investment Managers Limited’s own assessment and interpretation of information available to it as 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.

Top 10 holdings as at 31 December 2008

Company	Sector Classification	Cost £000	Valuation £000	% of invested portfolio	% of net assets
RPC Group	Manufacturing	4,220	3,168	11.51	11.21
4imprint Group	Support services	4,885	2,905	10.56	10.28
Thorntons	Retail	4,049	2,704	9.83	9.57
* Vintage 1 Limited	Investment companies	529	2,555	9.29	9.04
Pinewood Shepperton	Media	3,929	2,357	8.57	8.34
Intec Telecom	Telecoms	3,028	1,990	7.23	7.04
Spirent communications	Telecoms	2,597	1,673	6.08	5.92
Statpro Group	Technology	2,526	1,459	5.30	5.16
Communis	Support services	2,953	1,291	4.69	4.57
Ora Capital	Financial General	1,300	1,079	3.92	3.82
		30,016	21,181	76.98	74.95

* The valuation of Vintage 1 Limited is based on the valuation provided by the fund manager at the end of November 2008 based on underlying asset valuations as at 30 September 2008. Following the period end, Vintage 1 Limited made a distribution of £69,000 (€78,000).

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement on Half Yearly Financial Reports issued by the International Accounting Standards Board;
- the investment management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R 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 4.2.8R 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 entity 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 12 February 2008 and the above responsibility statement was signed on its behalf by John Hodson, Chairman.

Income statement

for the 6 month period ended 31 December 2008

	Note	6 month period ended 31 December 2008 unaudited			Year ended 30 June 2008 audited			6 month period ended 31 December 2007 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
Investments										
Losses on investments at fair value through profit or loss		–	(25,876)	(25,876)	–	(27,237)	(27,237)	–	(16,314)	(16,314)
Net investment result		–	(25,876)	(25,876)	–	(27,237)	(27,237)	–	(16,314)	(16,314)
Income										
Dividends		516	–	516	792	–	792	362	–	362
Interest		14	–	14	187	–	187	92	–	92
Underwriting commission		–	–	–	5	–	5	–	–	–
Total income	2	530	–	530	984	–	984	454	–	454
Expenses										
Investment Manager's fee	5	(208)	–	(208)	(453)	–	(453)	(156)	–	(156)
Investment Manager's performance fee	6	–	–	–	–	387	387	–	386	386
Other expenses		(183)	–	(183)	(372)	(3)	(375)	(235)	–	(235)
Total expenses		(391)	–	(391)	(825)	384	(441)	(391)	386	(5)
Net return/(loss) before finance costs and taxation		139	(25,876)	(25,737)	159	(26,853)	(26,694)	63	(15,928)	(15,865)
Finance costs										
Interest payable		(22)	–	(22)	(163)	–	(163)	(110)	–	(110)
Total finance costs		(22)	–	(22)	(163)	–	(163)	(110)	–	(110)
Net return/(loss) before taxation		117	(25,876)	(25,759)	(4)	(26,853)	(26,857)	(47)	(15,928)	(15,975)
Taxation	7	–	–	–	–	–	–	–	–	–
Net return/(loss) after taxation for the period		117	(25,876)	(25,759)	(4)	(26,853)	(26,857)	(47)	(15,928)	(15,975)
Returns per ordinary share										
– Basic and diluted	3	0.17	(37.08)	(36.91)	(0.01)	(37.13)	(37.14)	(0.06)	(21.93)	(21.99)

The total column of this statement is the income statement of the Company. All items in the above statement derive from continuing operations. These accounts are unaudited and are not the Company's statutory accounts. These accounts have been prepared under International Financial Reporting Standards, and in accordance with the accounting policies on pages 13 and 14.

Statement of changes in net equity for the 6 month period ended 31 December 2008

	Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the 6 month period ended 31 December 2008						
1 July 2008	7,262	2,070	61,238	(16,092)	373	54,851
(Loss)/return for the period	-	-	-	(25,876)	117	(25,759)
Ordinary shares purchased and held in treasury	-	-	(840)	-	-	(840)
31 December 2008	7,262	2,070	60,398	(41,968)	490	28,252
For the year to 30 June 2008						
1 July 2007	7,262	2,070	62,282	10,761	377	82,752
Loss for the year	-	-	-	(26,853)	(4)	(26,857)
Ordinary shares purchased and held in treasury	-	-	(1,044)	-	-	(1,044)
30 June 2008	7,262	2,070	61,238	(16,092)	373	54,851
For the 6 month period ended 31 December 2007						
1 July 2007	7,262	2,070	62,282	10,761	377	82,752
Loss for the period	-	-	-	(15,928)	(47)	(15,975)
Ordinary shares purchased and held in treasury	-	-	(34)	-	-	(34)
31 December 2007	7,262	2,070	62,248	(5,167)	330	66,743

These accounts have been prepared under International Financial Reporting Standards, and in accordance with the accounting policies on pages 13 and 14.

Balance sheet

as at 31 December 2008

	As at 31 December 2008 unaudited £'000	As at 30 June 2008 audited £'000	As at 31 December 2007 unaudited £'000
Non-current assets			
Fair value through profit or loss investments	27,514	52,588	65,800
Current assets			
Other receivables	174	809	814
Cash and cash equivalents	793	2,933	1,371
	967	3,742	2,185
Total assets	28,481	56,330	67,985
Current liabilities			
Bank loan	–	–	1,000
Other payables	229	1,479	242
	229	1,479	1,242
Total assets less current liabilities	28,252	54,851	66,743
Net assets	28,252	54,851	66,743
Represented by:			
Shareholders' equity			
Share capital	7,262	7,262	7,262
Share premium account	2,070	2,070	2,070
Special reserve	60,398	61,238	62,248
Capital reserve	(41,968)	(16,092)	(5,167)
Revenue reserve	490	373	330
Total shareholders' equity	28,252	54,851	66,743
	pence	pence	pence
Net asset value per share			
Basic and diluted	40.60	77.21	91.96
	number	number	number
Shares in issue			
Ordinary shares (excluding shares held in treasury)	69,580,500	71,043,500	72,576,000

These accounts have been prepared under International Financial Reporting Standards, and in accordance with the accounting policies on pages 13 and 14.

The half yearly financial information on pages 9 to 16 was approved by the Board of Directors and authorised for issue on 12 February 2009. It was signed on behalf of the Board by

J Hodson
Chairman
12 February 2009

Statement of cash flows

for the 6 month period ended 31 December 2008

	6 month period ended 31 December 2008 unaudited £'000	Year ended 30 June 2008 audited £'000	6 month period ended 31 December 2007 unaudited £'000
Operating activities			
Net loss before finance costs and taxation	(25,737)	(26,694)	(15,865)
Adjustment for losses on investments	25,876	27,239	16,314
Interest paid	(22)	(165)	(99)
Operating cash flows before movements in working capital	117	380	350
Decrease/(increase) in receivables	674	(721)	(688)
Decrease in payables	(75)	(2,696)	(2,685)
Income tax recovered	–	24	24
Purchases of portfolio investments	(5,349)	(17,256)	(8,397)
Sales of portfolio investments	3,333	24,327	11,883
Net cash (outflow)/inflow from operating activities	(1,300)	4,058	487
Financing activities			
Repayment of revolving credit facility	–	(1,000)	–
Purchase of treasury shares	(840)	(1,043)	(34)
Net cash outflow from financing activities	(840)	(2,043)	(34)
(Decrease)/increase in cash and cash equivalents for period	(2,140)	2,015	453
Cash and cash equivalents at start of period	2,933	918	918
Cash and cash equivalents at 31 December 2008	793	2,933	1,371

These accounts have been prepared under International Financial Reporting Standards, and in accordance with the accounting policies on pages 14 and 15.

Notes to the half yearly report for the 6 month period ended 31 December 2008

1.1 Corporate information

Strategic Equity Capital plc is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded.

The Company carries on business as an investment trust.

1.2 Basis of preparation/statement of compliance

The interim financial statements of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards ('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 Association of Investment Companies ('AIC') in January 2003 (and revised December 2005) 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 same accounting policies, presentation and method of computation are followed in these condensed financial statements as were applied in the preparation of the financial statements for the year ended 30 June 2008.

Convention

The financial statements are presented in Sterling, being the currency of the primary 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

Investments

(a) Classification

All investments in the scope of IAS 39 held by the Company are classified as 'fair value through profit or loss'. As the entity'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 and fixed income securities are designated as fair value through profit or loss on initial recognition. The entity 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 given, excluding transaction costs associated with the investment that are charged to the income statement and allocated to capital.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

(b) Fair value estimation

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

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

Notes to the half yearly report for the 6 month period ended 31 December 2008 (continued)

1.3 Accounting policies (continued)

(c) Recognition, derecognition and measurement

All 'regular way' purchases and sales of financial assets are recognised on the 'trade date' i.e. the day that the entity 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.

Interest income and dividend 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 received from UK registered companies are accounted for net of imputed tax credits.

Expenses

All expenses are accounted for on an accruals basis. Transaction costs and other expenses incurred on the acquisition of an investment classified as fair value through profit or loss are not included within the cost of that investment but are charged separately through the income statement and allocated to capital. The Company's investment management and administration fees, finance costs (including interest on the bank facility) and all other expenses are charged through the income statement. These expenses are allocated 100% to the revenue column of the income statement. The Investment Manager's performance fee is allocated 100% to the capital column of the income statement. In the opinion of the Directors the fee is awarded entirely for the capital performance of the portfolio.

Cash and cash equivalents

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost. 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 which form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Bank loans and borrowings

All bank loans and borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement 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 period, 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 revenue and capital on the same basis as the particular item to which it relates, using the Company's effective rate of tax, as applied to those items allocated to revenue, for the accounting period.

Deferred income tax is provided, using the liability method, 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 at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Dividends payable to shareholders

Interim dividends to shareholders are recognised as a liability in the period in which they are paid. Final dividends to shareholders are recognised as a liability in the year in which they have been declared and approved by the shareholders. Dividends are charged to the statement of changes in net equity.

Foreign currency translation

(a) Functional and presentation currency

The currency of the Primary Economic Environment in which the Company operates is pounds Sterling ('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.

(b) Transactions and balances

Investments are converted to Sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses relating to investments are taken to the capital column of the income statement.

2. Income

	6 month period ended 31 December 2008 £'000	Year ended 30 June 2008 £'000	6 month period ended 31 December 2007 £'000
Income from investments:			
UK dividend income	516	792	362
Convertible bond income	(9)	122	63
Liquidity fund income	21	48	19
	528	962	444
Other income:			
Bank interest receivable	2	17	10
Underwriting commission	–	5	–
	2	22	10
Total income comprises:			
Dividends	516	792	362
Interest	14	187	92
Underwriting commission	–	5	–
	530	984	454

3. Returns per ordinary share

	6 month period ended 31 December 2008			Year ended 30 June 2008			6 month period ended 31 December 2007		
	Revenue return pence	Capital return pence	Total return pence	Revenue return pence	Capital return pence	Total return pence	Revenue return pence	Capital return pence	Total return pence
Returns per ordinary share – basic and diluted	0.17	(37.08)	(36.91)	(0.01)	(37.13)	(37.14)	(0.06)	(21.93)	(21.99)

Returns per ordinary share are calculated based on 69,782,429 (30 June 2008: 72,314,265 and 31 December 2007: 72,623,283) being the weighted average number of ordinary shares, excluding shares held in treasury, in issue throughout the period.

4. Share buybacks

The Company has taken advantage of a change in the Companies Act 1985 which came into force on 1 December 2003 to allow companies, including investment trusts, to buy shares and hold them in treasury for re-issue at a later date. In accordance with IAS 32, the consideration paid for shares held in treasury is presented as a deduction from shareholder's equity.

During the period ended 31 December 2008 the Company repurchased 1,463,000 ordinary shares, for a total consideration of £840,000, to be held in treasury.

Notes to the half yearly report for the 6 month period ended 31 December 2008 (continued)

5. Investment Manager's fee

A basic management fee is payable to the Investment Manager at the annual rate of 1% of the Net Asset Value ('NAV') of the Company. The basic management fee accrues daily and is payable quarterly in arrears.

6. Investment Manager's performance fee

The Investment Manager will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per share over the course of a 'performance period'. The first performance period ended on 30 June 2007; each subsequent performance period is a period of six months. The Investment Manager will become entitled to a performance fee in respect of a performance period only if two criteria are met.

First, a performance hurdle test must be met. The performance hurdle is the amount by which the Adjusted NAV per share at the end of the relevant performance period exceeds a target Adjusted NAV per share for that performance period of an amount equal to the NAV per share on the date of Admission, increased at a rate of 7% per annum on a compounding basis.

The second test to be met (a 'high watermark' test) is that the Adjusted NAV per share at the end of the relevant performance period is higher than the highest previously recorded Adjusted NAV per share at the end of a performance period in relation to which a performance fee was earned (or if no performance fee has been earned since Admission, is higher than the NAV per share on the date of Admission).

If the performance hurdle is met, and the high watermark exceeded, the performance fee will be an amount equal to 15% of the increase in the Adjusted NAV per share of the time weighted average of the total number of shares in issue since the performance period in respect of which a performance fee was last earned (or since Admission, if no performance fee has yet been earned).

Payment of a performance fee that has been earned will be deferred to the extent that making payment would cause the performance hurdle or high watermark not to be met – 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 the performance hurdle or high watermark not to be met.

During the period ended 31 December 2008 no performance was payable.

7. Taxation

The tax charge for the half year is nil (30 June 2008 £nil; 31 December 2007: nil) based on an estimated effective tax rate of 0% for the year ending 30 June 2009. The estimated effective tax rate is 0% as 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.

Directors & advisers

Directors

J Hodson*
Sir Clive M Thompson
J E Cornish*
M C Phillips*

* Independent of the Investment Manager.

Investment Manager

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London EC1Y 8YY

Shareholder information

Financial calendar

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

Share price

The Company's ordinary shares are listed on the 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. In the event of queries regarding your holding, please contact the Registrar on 0870 702 0100. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown above.

NAV

The Company's net asset value is announced weekly 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 Sections 833 of the Companies Act 2006.
REGISTERED IN ENGLAND No. 5448627

A member of the Association of Investment Companies



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