

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

for the year ended 30 June 2011

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 in the Report of the Directors on page 11.

Investment Manager's strategy

The Investment Manager, SVG Investment Managers Limited ("SVGIM"), employs a strategy to invest in publicly quoted companies which create value through strategic, operational and management change. SVGIM 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 on page 5 of the Investment Manager's Report.

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 ("Registrar"). In the event of queries regarding your holding, please contact the Registrar on 0870 707 1285. Changes of name and/or address must be notified in writing to the Registrar, whose address is shown on page 4.

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.strategicquitycapital.com

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in respect of the financial statements		Form of proxy	Looseleaf

Capital structure

Issued share capital

70,122,203 Ordinary shares of 10p each: £7,012,220

At 30 June 2011 the issued share capital of the Company was 70,122,203 Ordinary shares. All shares have equal voting rights.

Financial summary

	2011	At 30 June 2010	% change
Performance			
Total return ¹			55.35%
Capital return			
Net asset value (statutory) per Ordinary share	103.35p	66.72p	54.90%
Ordinary share price (mid-market)	93.00p	51.25p	81.46%
Discount of Ordinary share price to net asset value	10.01%	23.19%	
Total assets (£'000)	73,877	51,403	43.72%
Equity shareholders' funds (£'000)	72,470	51,222	41.48%
Total expense ratio (TER) ²	1.52%	2.09%	
Revenue return per Ordinary share	0.40p	0.31p	
Dividend yield	0.44%	0.60%	
Proposed final dividend for year	0.44p	0.30p	46.67%
Ordinary shares in issue with voting rights (excluding shares held in treasury)	70,122,203	76,770,474	(8.66%)
Ordinary shares held in treasury	–	3,045,500	(100.00%)
Year's Highs/Lows			
	High	Low	
Net asset value per Ordinary share	104.51p	65.69p	
Ordinary share price	93.00p	51.00p	
Discount of Ordinary share price to net asset value	27.06%	9.00%	

¹ Total return is the increase per share in net asset value plus dividends paid.

² Total expense ratio calculated as the total expenses divided by the average shareholders' equity.

Chairman's report

Introduction

I am pleased to report that the Company made good progress in all areas over the past twelve months to 30 June 2011, delivering strong and market beating performance, narrowing its discount, reducing its undrawn commitments to unlisted investments and improving its size and liquidity.

The Manager's focus on undervalued companies with strong competitive positions in growing niche markets worked well. The portfolio also benefitted from its high exposure to companies with a high proportion of overseas earnings and an ability to pass on inflationary pressures.

It is pleasing to see that the same holdings which contributed to last year's excellent performance have continued to deliver strong performance as the corporate cycle has moved on.

Performance

As at 30 June 2011 the Company had net assets of £72.5 million (103.35p per share). This represented an increase of 54.90% over the previous year, and was driven by a combination of factors including: continued strong operating performance from mature portfolio holdings, amplified by the Company's investment in Strategic Recovery Fund II, and the absence of any "problem" holdings within the portfolio.

The Company's performance per share was considerably better than that of comparable markets; it outperformed the FTSE SmallCap Companies (ex Investment Trust) Index by 30.8%. The Company's Net Asset Value ("NAV") per share has cumulatively outperformed the comparable index over 5 years by 6.4%, and over 3 years by 16.2%. This increasingly consistent performance partially reflects the refinements made to the investment process following the financial crisis, and has confirmed my confidence in the Company's investment strategy.

Including dividends paid the Company delivered a total return to shareholders of 82.05% over the 12 months (based on share price). The discount to NAV at which the Company's shares trade narrowed again to an average of 19.14% over the year, and ended the period at 10.01%, a three year low. It is worth noting that the level of the discount has been narrowing consistently since the end of 2009, and is now much more in line with other smaller company focused investment trusts.

Discount Management

During the year, the Company bought back 6,648,271 shares, at an average discount to NAV of 12.8%, at a cost of £5.96m. All of these shares were cancelled. The Board remains committed to buying back shares when it believes that to do so is in the best interests of shareholders generally, in particular with a view to reducing the discount volatility and generating modest enhancements to the NAV of the remaining shares.

However, as SVG Capital plc (the Investment Manager's parent company) and connected parties hold 26.13% of the issued share capital, the Board intends to seek approval of the independent shareholders of a waiver of certain obligations that may arise under the City Code as a result of further share buy-backs. It is expected that the General Meeting at which this approval will be sought will be held immediately following the conclusion of this year's Annual General Meeting and a separate circular will be sent to shareholders regarding this meeting.

The Board

There were no changes to the Board over the period. The Board has operated effectively during the period and I believe that the current composition of the Board is appropriate.

Investment Manager

The Manager has agreed to provide the Company with protective notice in the event of the shareholders of the Company voting against its continuation.

As adopted by shareholders at the General Meeting in November 2010, the new management fee arrangements are in place and are set out on page 15 of the Report of the Directors.

Banking Arrangements

The Company currently has a £5.0 million revolving facility with RBS which expires on 14 July 2012. This facility is currently unutilised. Following the better than expected reduction in undrawn commitments to unlisted investments, the Board has authorised the Manager to use this facility to increase investment flexibility over the short term.

Dividend

The Directors continue to expect that returns for shareholders will derive primarily from the capital appreciation of the shares rather than from dividends. The Board is proposing a final dividend of 0.44p per Ordinary share for the year ended 30 June 2011, payable on

17 November 2011 to holders on the register as at 21 October 2011.

AGM

The AGM of the Company will be held at 11.30 am on 8 November 2011 at the offices of SVG Investment Managers Limited, 61 Aldwych London WC2B 4AE.

Continuation Vote

Shareholders have the opportunity to vote on an ordinary resolution to continue the Company as an investment trust at each annual general meeting. As the Company met its annual investment performance and discount tests (having substantially outperformed, on a NAV total return basis, the FTSE SmallCap (ex Investment Companies) Index over the three years ended 30 June 2011 and with the average discount at which the Company's shares traded over the three months to 30 June 2011 being narrower than that of the UK Smaller Companies sector over that period), the Board is recommending shareholders to vote in favour of the continuation Resolution. If that Resolution is not passed, the Company will be entitled to give notice terminating the Investment Manager's appointment without any compensation being payable to the Investment Manager in lieu of notice.

Marketing Activities

The Manager and the Company's broker continue to work together to broaden the shareholder base. I am optimistic that the Company's narrowing discount, improving long term track record and increased size should all help to achieve this goal over the coming year.

Outlook

The Board shares the Manager's belief that the prospects for the Company are good. This reflects the attractive valuation of the portfolio and the Manager's increasingly successful track record of identifying undervalued companies with the potential to experience significant uplifts through strategic, operational and management change.



J Hodson
21 September 2011

Directors

The Directors as at the date of the report and who served during the year, all of whom are non-executive, are as follows:

John Hodson (Chairman)

Mr Hodson joined Singer & Friedlander Limited in 1969, he became a director in 1984 and in 1993 he was appointed chief executive of Singer & Friedlander Group plc. From 2000 to 2003 he served both as chairman and chief executive of the group. He is also a director of Domino's UK & IRL plc.

Sir Clive Thompson (Deputy Chairman)

Sir Clive Thompson served as chairman of Rentokil Initial plc between 2002 and 2004, having been chief executive for 20 years to 2002. He is a former president of the CBI, member of the Committee on Corporate Governance and deputy chairman of the Financial Reporting Council. He is also a former director of J Sainsbury plc, Wellcome plc, Seaboard plc, Caradon plc and BAT Industries plc.

Ian Dighé

Mr Dighé joined the Board as a non-executive director in November 2009. He was a founder and deputy chairman of Bridgewell Group plc. After successfully selling Bridgewell in 2007 he formed Matterley whose interests were acquired by Charles Stanley Group plc in September 2009. He is currently executive chairman of MAM Funds plc and a non-executive director of Artemis Alpha Trust plc. He is also a director of a number of private companies and charitable trusts.

John Cornish

Mr Cornish was formerly a partner at Deloitte LLP where he led the firm's services to the investment trust industry for 15 years and currently he is a director of RIT Capital Partners plc, Henderson EuroTrust plc and RCM Technology Trust plc.

Michael Phillips

Mr Phillips founded iimia Investment Group plc in 2001 (which became MAM Funds plc in 2010) and in a period of seven years built it into a group with funds under management and advice of over £2.8 billion. As chief executive he was responsible for the day to day operations of the group until September 2008 when he left to pursue other interests. Michael is now Chairman of REDS Technologies Ltd and is a director of Miton Worldwide Growth Investment Trust plc and a Fellow of the Chartered Securities Institute.

Investment Manager, Secretary and Advisers

Investment Manager

SVG Investment Managers Limited
61 Aldwych
London WC2B 4AE
Tel: 020 7010 8900

Secretary and registered office

Capita Sinclair Henderson Limited
(trading as Capita Financial Group –
Specialist Fund Services)
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477513

Registrar and transfer office

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: 0870 707 1285
Website: www.computershare.com

Brokers

Canaccord Genuity Limited
Cardinal Place
7th Floor
80 Victoria Street
London SW1E 5JL

Custodian

HSBC Global Services
Level 27
8 Canada Square
London E14 5HQ

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stephenson Harwood
One, St Paul's Churchyard
London EC4M 8SH

Investment Manager's report

Investment Strategy

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

We are long-term investors; we typically aim to hold companies for the duration of 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.

Our typical investee company has a market capitalisation of under £150m at the time of initial investment. We believe that smaller companies provide the greatest opportunity for our investment style as they are relatively under-researched, often have more limited resources, and frequently can be more attractively valued.

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

Market Background

The period initially saw a strong recovery in UK stock markets led by cyclical sectors in the second half of 2010. This was followed by a mild sell-off in the first half of 2011 driven primarily by macroeconomic concerns and a plethora of disruptive world events including the earthquake in Japan and the "Arab Spring" uprisings. On balance, the corporate outlook remained positive, with continued earnings growth and debt reduction. Rather than the threat of sovereign debt defaults in peripheral Europe, and then the dawning realisation that printing money and negative real interest rates would prolong rather than solve the debt crisis, led to risk aversion.

Smaller companies marginally underperformed the FTSE 100 index by 1% over the twelve months. Once again, the best performing segment of the market was the FTSE 250 index, to which the Company has little exposure. This may have been driven higher by larger institutional investors attempting to chase smaller company returns in relatively liquid companies.

One of the consequences of this macro uncertainty was very subdued M&A activity in the UK market. Both takeovers of public companies and secondary fundraisings were few and far between. In addition liquidity among most markets seized up at the beginning of 2011, with trading volumes among FTSE 100 and 250 companies materially lower than prior years. Although smaller companies also suffered from poor liquidity from March until May, June volumes rebounded somewhat.

Performance

Performance over the period was driven principally by stock specific factors, with self help and recovery situations driving the growth in net asset value. Within the context of our corporate engagement strategy the tactic of investing in highly cash generative, niche market leaders, with a high proportion of overseas earnings and avoiding companies with exposure to UK public or consumer spending has worked well again.

High market volatility and low volumes combined with substantial changes to forecast earnings and ratings to produce some very large share price movements over the period. E2V was the standout performer, delivering a total return of 170% as the results of its restructuring combined with a recovery in end markets led to substantial earnings improvement and a return to the dividend list. Gooch & Housego delivered a return in excess of 100% before the position was exited. RPC, having completed its three year restructuring programme, made an attractive acquisition, returned 84% and entered the FTSE 250. Lavendon returned 83% following significant reduction in its debt, and the announcement of a nascent recovery in its end market and the commencement of an operational review. Finally KCOM returned 81% after successfully completing its restructuring programme and increased its dividend substantially.

Other holdings also achieved returns significantly in excess of the market. 4imprint gained 40% across the year, driven by continued recovery and growth in its US operation. Lupus also gained 40% on the back of continued debt reduction, returning to the dividend list and evidence of market share gain in flat, depressed markets. Pinewood gained 40% over the year, with the company being successfully bid for by a major shareholder in June 2011.

Investment Manager's report

(continued)

Mecom and Allocate returned 27% and 4% respectively over the year. Mecom's operational and financial turnaround has continued to meet and exceed our expectations except for a recovery in the top line in the Netherlands. It also signalled a return to the dividend list in the autumn of 2011. The share price has proven to be volatile and often driven, incorrectly in our

view, by sentiment towards the UK newspaper sector. We believe that it remains grossly undervalued. Allocate started the year well with a significant contract win in the Australian market. Disruption among its NHS customer base led investor sentiment lower during the Spring of 2011, but the company's trading update in June confirmed it had achieved its forecasts.

On the negative side Wilmington fell 19% following a profit warning driven by a false recovery in its training division, and Statpro which returned -2% across the year as the market digested the implications of the decision to invest substantial capital into the new SaaS based product.

Top 5 contributors to performance

Company	Valuation £'000	Period attribution %
E2V Technologies plc	8,406	13.9
Strategic Recovery Fund II	11,807	8.5
RPC Group plc	6,351	8.3
KCOM Group plc	6,336	6.4
Lavendon Group plc	5,970	5.1

Bottom 5 contributors to performance

Company	Valuation £'000	Period attribution %
Wilmington Group plc	2,149	(0.9)
Redstone plc	-	(0.2)
Western & Oriental	-	(0.1)
Kewill plc	2,560	-
CVS Group plc	1,503	0.3

Once again, there were far fewer negative contributors to performance than positives over the period, with Wilmington being the only material disappointment over the year. Redstone and Western & Oriental were legacy holdings exited during the year. Both Kewill and CVS are relatively new investments and we anticipate steady value creation over the usual investment horizon.

Dealing activity

The level of portfolio activity was in line with our stated investment strategy of three year holding periods with £21.9m of disposals (excluding distributions from unlisted investments) in the period representing around 32.8% of the weighted average NAV. In addition £545k of net distributions were received from unlisted investments. £16.1m of purchases were made (excluding purchases of unlisted investments) with 42% of purchases representing money into new investments, the remainder being additions to existing holdings.

The primary sources of proceeds over the period were from the full exit of successful mature holdings, top slicing strong performers and continued clearing out of the tail of the portfolio. Full successful exits were made in Gooch & Housego (£2.9m), Spirent (£2.6m), and Intec. All three investments achieved in excess of 2x cash multiples, with Gooch generating an IRR of 283%. The position in Pinewood was realised following the takeover bid, raising £2.3m. Strong performances from RPC, KCOM and E2V necessitated some top slicing, raising £4.7m, £2.3m and £2.5m respectively. A run up in the Statpro share price in the Spring enabled a further realisation of £1.3m. The longstanding position in Thorntons was reduced in the run up to Christmas due to weather related trading concerns, realising £1.8m. Finally, small legacy positions in Filtronic, Redstone and Western & Oriental were fully exited.

We deployed the proceeds into building the existing holdings and establishing small to medium weights in three new investments. Existing positions in Lupus and Mecom were taken to full weights, accounting for purchases of £3.4m and £2.4m respectively. £3m was deployed funding the RPC rights issue and subsequent modest opportunistic top ups were made in Allocate and KCOM. The background to these investments has been detailed in prior reporting periods. £6.8m was deployed in new investments, mainly Wilmington (£2.9m), Kewill (£2.5m) and CVS (£1.3m), all being made through market purchases.

Wilmington is a provider of specialist business information and training services. The Company's investment was predicated on a stable core earnings base from the business information division and initial signs that the depressed legal training business had begun to recover in the first few months of 2011. This

recovery has proven to be a false dawn. In addition the company has subsequently experienced faster than anticipated decline in small but profitable legacy print products, which has necessitated accelerating spend to transition the products to a digital format. Whilst the business remains strongly cash generative and offers a dividend yield of more than 6%, we are examining whether more attractive medium term returns exist elsewhere.

Kewill is a global provider of niche software and technology solutions for supply chain and logistics management. It is a market leader in a fragmented market, has more than 40,000 users worldwide many of whom have been customers for many years. It is strongly cash generative and has sound management. The board has been refreshed during the past year and is focused on re-invigorating growth. The valuation is highly undemanding given the quality of the company and scope exists for accelerating shareholder returns.

CVS is the UK's leading provider of veterinary services. CVS operates more than 220 practices, enjoying a market share of 12% and a relative market share 3x larger than the next largest competitor. In addition, it operates its own crematorium and diagnostics services and sells veterinary medicine and premium food products online. Following several years of a debt funded consolidation strategy, it experienced negative like for like sales growth in the first half of 2010. This necessitated two profit warnings, and led to a substantial fall in the share price. The Company's investment at this point was predicated on like for like sales stabilising, the strong underlying cash flows of the business, its attractive cash flow yield, and scope to improve returns through operational consolidation of recent acquisitions.

Our bar for new investments remains high in terms of asset quality, valuation and risk adjusted prospective returns. We maintain an active pipeline of new investments, executed

both through market purchases and in addition through secondary fundraisings. The latter have been few and far between of late, but we anticipate a gradual pick up over the next year and remain actively engaged with the corporate broking community to ensure we have sufficient time to conduct due diligence on the best potential opportunities.

Portfolio Review

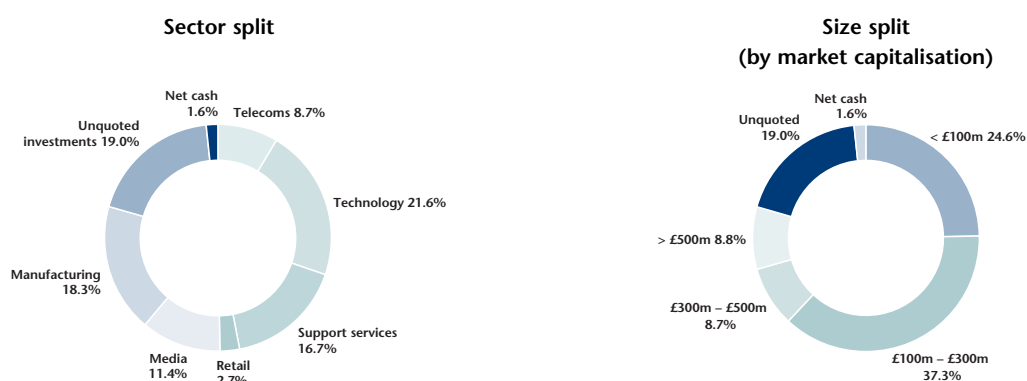
The portfolio remained highly focused, with a total of 18 holdings and with the top 10 holdings accounting for 86.8% of the portfolio at the end of the financial period. The portfolio remains predominantly invested in quoted equities, however the percentage of the portfolio invested in unlisted securities (including SRF II) changed from 16.5% to 19.3% at the end of the period due to their strong performance. 3.2% of the net assets was invested in cash at the period end.

Top 10 holdings

A summary of the top 10 investments at 30 June 2011, which represented approximately 85.4% of net assets (2010: 76.5%), is given below:

Company	Sector classification	Date of first investment	Cost £'000	Valuation £'000	2011	2010	% of net assets
					% of invested portfolio	% of invested portfolio	
Strategic Recovery Fund II	Unquoted investment	Jul 2009	4,695	11,807	16.6	13.9	16.3
E2V Technologies	Technology	Oct 2009	3,076	8,406	11.8	8.5	11.6
Lupus Capital	Manufacturing	Apr 2007	5,086	6,597	9.2	4.4	9.1
RPC Group	Manufacturing	Feb 2007	3,489	6,351	8.9	9.8	8.8
KCOM Group	Telecoms	May 2007	2,959	6,336	8.9	9.0	8.7
Lavendon Group	Support services	Nov 2009	3,991	5,970	8.4	6.6	8.2
Mecom Group	Media	Aug 2005	7,482	5,570	7.8	5.1	7.7
4imprint Group	Support services	Feb 2006	4,885	5,200	7.3	7.9	7.2
Allocate Software	Technology	Dec 2009	2,485	3,096	4.3	5.0	4.3
Kewill	Technology	Mar 2011	2,507	2,560	3.6	0.0	3.5

Investment Manager's report (continued)



	Strategic Equity Capital portfolio (money weighted)	FTSE Small Cap (excl Investment Companies) Index
Price/Earnings ratio FY1	11.3X	12.4X
Dividend yield	2.9%	3.0%
Price/Book ratio	1.9X	0.5X
Price/Sales ratio	0.8X	0.5X
SVGIM cash flow yield	14.2%	N/A
Forecast earnings growth (FY1)	7.3%	8.1%
Net debt to EBITDA	1.3X	1.6X

Source: Factset Portfolio Analysis System

Unlisted investments

The investment in SRF II has progressed well in terms of distributions received and the likely lifespan of the fund which is better than expectations at the time of its acquisition. The company has received additional distributions of £1.0m from SRF II and £0.5m from Vintage Mizuho I, bringing the total distributions from unlisted investments to £1.5m for the year, slightly below the £1.7m calls made for the SRF II.

The SRF II investment period ended in June 2011 and the fund is now a distributing vehicle. The manager continues to anticipate the fund will be fully returned by the end of June 2013. The outstanding commitments relating to Vintage is £2.0m and the manager has communicated that it does not expect to make any further net draw downs.

Top 10 Investee Company Review

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. The company has benefitted recently from material upgrades to forecast earnings. The US business has continued to grow strongly and we believe its value is significantly in excess of the value of the whole company. Funds managed by SVGIM currently hold approximately 13% of the company's equity.

Allocate Software is the leading workforce optimisation software applications provider for global organisations with large, multi-skilled workforces. It is the clear European market leader in the healthcare vertical market, where the compelling return on investment for clients is driving significant growth. It is also the clear lead provider of optimisation software for the global offshore and defence markets. A strong management team is focused on delivering continued profitable growth, maximising the commercial potential of the product suite. SVG became a major shareholder as part of a placing to fund the acquisition of its Nordic equivalent, Timecare AB, in December 2009. The company has subsequently made two further acquisitions of complimentary businesses – Dynamic Change in the UK and RosterOn in Australia. Funds managed by SVGIM currently hold approximately 7% 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 and high reliability semiconductors, predominantly for the medical, aerospace, defence and industrial markets. An ill-timed acquisition in September 2008 funded by debt left the balance sheet of the business over-stretched as the economic downturn began. A new finance director, well known to SVGIM, was appointed in May 2009. The management team has acted to raise 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. The restructuring has been executed flawlessly and the company is returning to a growth track. Funds managed by SVGIM currently hold approximately 10% of the company's equity.

KCOM Group is a provider of communications solutions to businesses and the public sector in the UK. It has a very strong regional consumer-based business based around Hull in East Yorkshire. Following discussions instigated by shareholders the company announced major changes to its management team in November 2008. Following further consultation with shareholders the company has implemented an innovative remuneration package that closely aligns shareholders and management. Since then, the company has undergone a strategic review and announced an important network sharing deal with BT Group. The positive impact of these changes and the company's growth potential are beginning to be appreciated by the market, helped by the increase in dividend over the year of 150% and an ongoing dividend growth commitment of 10% p.a. Funds managed by SVGIM currently hold approximately 5% of the company's equity.

Kewill is a leading global provider of software and services to simplify global trade and logistics. Its applications are used to reduce complexity and automate manual processes across supply chains, in areas such as sourcing, customs, compliance, transportation, storage, finance, visibility and connectivity. The company was founded in 1972 and has sales activities in the UK, Europe, North American and Asia. Kewill has generated consistent returns to shareholders during the past eight years and its revenues proved resilient during the credit crisis. Historic strong cashflows have been used to acquire complementary businesses in its sectors. We believe that a recent refresh of the Board, combined with a medium term improvement in the macro environment, augur well for accelerating organic growth, continued operating margin progression and shareholder value creation. M&A activity is a recurrent feature in its sector and we believe it unlikely that Kewill will remain independent in the long term. Funds managed by SVGIM currently hold approximately 3% of the company's equity.

Lavendon Group is the market leader in the rental of powered aerial work platforms in both Western Europe and the Gulf States. The group entered the current downturn having over-spent on equipment, and with an overstretched balance sheet. The nature of powered access equipment is such that capital expenditures can be reduced materially for a significant amount of time without detriment to the fleet. We believe that the company will generate significant surplus cash flow over the next two years which will be used to pay down debt and thus create value for equity shareholders. We invested in the company via a fundraising in late 2009 which brought the company's debt down to high but manageable levels, and have been actively engaged with the board to help drive improved returns. Since 2009, the company has met its debt reduction targets, announced an operational and strategy review and executive board changes, including the appointment of an advisor to SVGIM as CEO of its European operations. Funds managed by SVGIM currently hold approximately 10% of the company's equity.

Lupus Capital is a leading international supplier of building products to the door and window industry, and 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 has been 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. Despite end markets continuing to trade at low ebb, the building products division generates double digit margins with strong cash flow. The marine couplings business operates in a structural growth market and is a very high quality asset. We began building our stake in the company in late 2009 following the appointment of a new chairman, who has subsequently reconstituted the executive management and non-executive board. Since then, strong cashflows have reduced the debt burden substantially. We believe the company trades at a material discount to its sum of parts valuation and that there is substantial upside from a medium term recovery in the end markets of the building products division. Funds managed by SVGIM currently hold approximately 6% of the company's equity.

Investment Manager's report (continued)

Mecom Group is a European media business. The group owns over 300 printed titles and over 200 websites in its four divisions, with substantial operations in the Netherlands, Denmark, Norway and Poland, generating readership of 23 million per week and attracting 32 million unique website users per month. The company has undergone substantial corporate restructuring in the last two years having over-extended its balance sheet through acquisitions in the run up to the recession. We have engaged extensively with the company, investigating the progress of its turn around, assisting it with investor relations and lobbying on its behalf for greater coverage by the analyst community. Having originally invested in 2005 and fully realised the cost of that investment before the recession struck, we have revisited the investment case and added to our holding, selectively building it to a high weight over the past 12 months. We believe that the company is worth multiples of its current share price based on precedent transactions and should create substantial value through de-gearing and dividends. Funds managed by SVGIM currently hold approximately 5% of the company's equity.

RPC Group is Europe's leading manufacturer of rigid plastic packaging. Following lobbying from SVGIM and another shareholder acting in concert the group has initiated a strategic and operational review and made substantial changes to its board. The CEO has performed well against RPC's new objectives, leading to a significant reduction in group debt and ongoing focus on improving return on invested capital. As the restructuring ended, RPC acquired its smaller Scandinavian competitor, Superfos, funded by a mixture of debt and new equity. The Superfos transaction has the scope to deliver significant shareholder value through hard

synergies, underpinning double digit earnings growth for the next three years. While this is a longer term investment we believe that there is still more for the taking, particularly when taking into account the scope for more favourable raw materials pricing. Funds managed by SVGIM currently hold approximately 4% of the company's equity.

Wilmington provides information and training services to professional business customers in the legal services, financial services and healthcare sectors as well as pockets of the public sector. The company's business information division provides a number of must-have products to its client base and enjoys significant recurring revenues and strong cashflow. Digital delivery accounts for 75% of sales, and is forecast to account for virtually all information sales within 3 years. Demand for Wilmington's legal training services fell materially in the wake of the financial crisis. The core customer base for these services includes small and medium sized legal firms which have come under financial pressure as conveyancing and SME M&A volumes have fallen to almost unprecedented lows. A cyclical recovery is likely here, although may take longer than we had originally anticipated. Nevertheless, the company generates substantial cashflows, pays a generous well covered dividend, and has grown overseas sales so that they now represent a quarter of sales. Funds managed by SVGIM currently hold approximately 4% of the company's equity.

Outlook

Until the impact of the global financial crisis is fully worked through, and a solution to the currently high levels of Government indebtedness is found, global stock markets are likely to remain turbulent. Yet swings in markets and tough economic conditions

should not distract investors from the excellent progress that public companies in the UK have made in the past three years. Levels of corporate indebtedness are reaching 20 year lows and operating margins are at record high levels. In addition the attractive governance and commercial benefits of a UK Listing mean that the UK stock market has now overtaken the Japanese as the second largest in the world, and that UK listed companies have by far the highest proportion of non-domestic earnings of any major market.

For stronger, quality companies, the outlook for continued strong share price performance continues to look positive. The market continues to project double digit earnings growth and in excess of 3% dividend yield. Many companies have significant flexibility to grow dividends, buy back shares or initiate value-enhancing M&A. Historically, the Company has benefitted significantly from M&A as both trade and private equity investors' acquisition criteria often match our investment criteria and focus. The lack of trading volumes among larger companies, a seizure in IPOs, a lack of secondary fundraisings and very limited M&A placed immense commercial pressure on the brokerage houses. This should ultimately lead to less market efficiency, and increases opportunities for the Company to add value through its investment strategy.

SVG Investment Managers Limited
21 September 2011

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 SVG Investment Managers Limited'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.

Report of the Directors

(The statement on corporate governance forms part of the Report of the Directors)

The Directors present their report and financial statements for the year to 30 June 2011.

The Company has been incorporated with an indefinite life. The Company is registered in England with number 5448627.

Business Review

The Business Review should be read in conjunction with the Chairman's report on page 2, the Investment Manager's report on pages 5 to 10 and the statement on corporate governance on pages 19 and 20.

The purpose of the Business Review is to provide an overview of the business of the Company by:

- Analysing development and performance using appropriate key performance indicators ('KPIs').
- Outlining the principal risks and uncertainties affecting the Company.
- Describing how the Company manages these risks.
- Explaining the future business plans of the Company.
- Setting out the Company's environmental, social and ethical policies.
- Providing information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.
- Outlining the main trends and factors likely to affect the future development, performance and position of the Company's business.

Review of the Business of the Company

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

The Company has received approval from HM Revenue & Customs as an investment trust under Section 1158 of the Corporation Tax Act 2010 for the year ended 30 June 2010 ("Section 1158"). This approval is subject to there being no subsequent enquiry under corporation tax self assessment. Under Section 1158 companies can obtain 'approved' status for tax purposes, meaning that such companies do not pay capital gains tax on any profits arising on disposals of their investments and in turn shareholders are only subject to capital gains tax on the disposal of their shares in the investment trust. The principal requirements for retaining 'approved' status are: no single holding, at the time of investment, may exceed 15% of gross assets; 70% of total income must constitute investment income from securities; and no more than 15% of such investment income may be retained.

It is the opinion of the Directors that the Company has directed its affairs so as to enable it to continue to qualify for approval as an investment trust for the year ended 30 June 2011 and the Company will continue to seek approval under Section 1158 each year.

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 out-perform selected indices) over a medium-term period, principally through capital growth.

Investment policy

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

The Company may meet all calls on its undrawn loan commitment to SRF II and to Vintage 1 Limited ("Vintage"). Subject thereto, until such time as all of the undrawn loan commitment to SRF II has been called or, if earlier, SRF II's investment period has expired, save for investments pursuant to its commitments to SRF II and Vintage, the Company will not make any further investments in unquoted securities. Thereafter, 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 to Vintage 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 provided that this restriction does not apply to investments in any such funds which themselves have published investment policies to invest no more than 15% of their total assets 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 issues into which the Company will invest, although it is expected that the majority of the investments by value will be invested in companies with a market capitalisation of less than £300 million.

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

Report of the Directors

(continued)

Investment Manager

The Investment Manager appointed by the Company is SVG Investment Managers Limited ("SVGIM"). Established in 2002, the Public Equity Team of SVGIM were one of the first in the UK to invest in publicly traded equities using private equity techniques. The team now consists of five investment professionals who combine a number of complimentary skill sets, including corporate finance, traditional fund management, research and private equity disciplines. SVGIM currently has funds under management of over £200m.

Performance

Over the year to 30 June 2011, net assets have increased by 41.5% to £72.5 million (54.9% on a per share basis). Further information on the performance of the Company's portfolio is contained in the Investment Manager's report on pages 5 to 10.

The Company's investment objective is one of capital growth and it is anticipated that returns for shareholders will derive primarily from capital gains. The Board only intends to declare final dividends where necessary. The Board recommends a final dividend of 0.44p (2010: 0.30p) per Ordinary share, amounting to £309,000 (2010: £230,000).

Share capital

At the year end the Company's issued share capital comprised 70,122,203 Ordinary shares. No shares were held in treasury (2010: 79,815,974 in issue and 3,045,500 held in treasury representing 3.82% of the shares in issue). At general meetings of the Company, the holders of Ordinary shares are entitled to one vote for every share held.

On 25 February 2011 the Company cancelled its entire holding of 3,045,500 Ordinary shares that were held in Treasury.

Performance Analysis using Key Performance Indicators

At quarterly Board meetings the Directors consider a number of key performance indicators to assess the Company's success in achieving its objective, principally: the NAV per Ordinary share, the movement in the Company's share price, the discount of the share price in relation to the NAV and the total expense ratio.

- The Company's Statement of comprehensive income is set out on page 25.
- The NAV per Ordinary share at 30 June 2011 was 103.35p (2010: 66.72p).
- The mid market share price at 30 June 2011 was 93.00p (2010: 51.25p).
- The discount to NAV at 30 June 2011 was 10.01% (2010: 23.19%).
- The total expense ratio at 30 June 2011 was 1.52% (2010: 2.09%).

Principal Risks and Uncertainties Associated with the Business

General

Changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially affect the value, adversely or positively, of investments made by the Company and, therefore, the Company's performance and prospects, in addition to the value of the shares.

Market risk

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of equity securities and related instruments, and there can be no guarantee that the quoted value of the Company's investments will be realisable in the event of a sale.

Market price and discount volatility

The market price of the shares, as well as being affected by the Company's net asset value, also takes into account prevailing interest rates, supply and demand for the shares, market conditions and general investor sentiment. As a result, the total market value of the shares in the Company may vary considerably from the net asset value per share of the Company. In addition, other factors such as a concentrated shareholder base may contribute to infrequent trading or volatile share price movements.

Details of the discount management policy can be found on page 2. At the AGM held on 9 November 2010 the Company was authorised to make market purchases of its own shares up to a limit of 11,507,894 Ordinary shares.

On 8 April 2011 the Company appointed Canaccord Genuity Limited to manage a programme to buyback Ordinary shares within certain pre-set parameters (the "buyback programme") which ended on 16 June 2011. During this time a total of 3,950,000 representing 4.95% of Ordinary shares were purchased for cancellation.

Subsequently a further 2,698,271 representing 3.38% of Ordinary shares were purchased for cancellation making a total of 6,648,271 representing 8.33% of Ordinary shares cancelled during the course of the year to 30 June 2011.

Reliance on the Investment Manager

The Investment Manager has the right to resign as the Investment Manager under the Investment Management Agreement. The Investment Manager must give 12 months written notice to the Company. Such a resignation could have an adverse effect on the Company's performance and prospects.

Nature of investee companies

The investment portfolio is focused towards small and mid sized companies. These companies may involve a higher degree of risk than larger sized companies. In addition, while the investment policy of the Company is to identify and invest in companies that

the Investment Manager believes are undervalued, there is a risk that the Investment Manager may be unable to deliver on the strategic, management and operational initiatives identified at the time of initial investment and, as such, companies may not prove to be capable of generating additional value for shareholders and so would not assist in achieving the Company's investment objective.

Concentrated portfolio

The majority of the Company's portfolio is invested in 10 to 15 companies operating in a number of industries, as was the initial intention. As a result the portfolio could carry a higher degree of risk than a more diversified portfolio.

As the Company's objective is to achieve absolute returns rather than returns relative to a particular index or benchmark over a medium term period, the portfolio is managed without comparison to any stockmarket index. As a result there will be periods when the Company's performance will not correlate with such indices.

Borrowing and gearing

At 30 June 2011, the Company had not drawn down under a revolving credit facility of £5 million with The Royal Bank of Scotland. In accordance with the current loan facility's covenant, gross borrowings shall not be more than 20% of adjusted portfolio valuation at any time. The use of gearing can magnify both gains and losses in the asset value of the Company, dependent on the value of the portfolio at the time.

This is in accordance with the Company's Articles of Association which permit borrowings of up to 25% of the net asset value at the time the borrowings are incurred.

Unlisted investments

The Company may invest a proportion of its gross assets in companies that are not listed or admitted to trading upon any recognised stock exchange. These investments may be illiquid and difficult to realise and more volatile than investments of larger, longer-established

businesses. The SRF II valuation is updated monthly and other unlisted investments are updated at least once every six months.

Overseas investments

The Company may invest up to 20% of its gross assets in companies listed or traded on recognised stock exchanges other than the London Stock Exchange. In any instances where the Company does not hedge its currency exposure, the movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated may have a material effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. Although the Investment Manager will seek to manage any foreign exchange exposure in relation to the Company, there is no assurance that this can be performed effectively. Currency hedging may force the Investment Manager to realise underlying investments as well as affecting the overall value of the portfolio and the net asset value per share.

Movements in the foreign exchange rate between sterling and the currency applicable to a particular shareholder may have an impact upon that shareholder's returns in its own currency of account.

Debt investments

Any debt securities that may be held by the Company will be affected by any changes to interest rates.

Future trends

Both the Chairman's report on page 2 and the Investment Manager's report on page 10 contain 'Outlook' sections setting out their view of the future.

Charges against capital

The Company's current accounting policy is to charge its operational costs to revenue, with the exception of any performance fee, which will be charged wholly to capital. In the event of the Company making a revenue loss or becoming liable to a performance fee, it may need to liquidate some of its investments to pay operational costs or the

performance fee or both.

Regulatory risks

A breach of Companies Act regulations and FSA/London Stock Exchange rules may result in the Company being liable to fines or the suspension of the Company from the London Stock Exchange.

The Board, with its advisers, monitors the Company's regulatory obligations both on an ongoing basis and at quarterly Board meetings.

If the Company did not comply with the provisions of Section 1158 of the Corporation Tax Act 2010 ("Section 1158"), it would lose investment trust status and become subject to corporation tax on realised capital gains. In order to minimise this risk, the Directors, the Investment Manager and the Company Secretary monitor the Company's compliance with the key criteria of Section 1158 on a monthly basis. At quarterly Board Meetings, compliance with these provisions is discussed in detail between the Board, the Investment Manager and the Company Secretary.

Financial risks

The financial situation of the Company is reviewed in detail at each Board meeting, monitored and approved by the Board and the Audit Committee.

Financial instruments

As part of its normal operations, the Company holds financial assets and financial liabilities. Full details of the role of financial instruments in the Company's operations are set out in Note 18 to the financial statements.

Social, Environmental, Community and Employee Issues

The Company has no employees and the Board consists entirely of non-executive Directors. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no policies in this area. In carrying out its activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

Report of the Directors (continued)

Directors

The Directors in office during the year and as at the date of this report were:

	Date of appointment
J Hodson	1 July 2005
Sir Clive Thompson	1 July 2005
J E Cornish	6 September 2006
M C Phillips	9 August 2007
I R Dighé	13 November 2009

The Board considers, following the formal performance evaluations, that the performance of Sir Clive Thompson, Mr Cornish, Mr Hodson and Mr Phillips demonstrate commitment to their individual roles as non-executive directors. A good balance of skills, knowledge and expertise is achieved and therefore the Board strongly recommend the re-election of each of these Directors. Sir Clive Thompson will offer himself for annual re-election as he is deemed non-independent by virtue of his position on the Industry Advisory Panel.

None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year. An agreement exists between the Company and Storm Financial Limited for the provision to the Company of the services of Sir Clive Thompson as a Director. No Director has been granted any options to acquire shares in the Company.

Directors' Beneficial and Family Interests

The interests of the Directors and their families in the Ordinary shares of the Company are set out below:

	At 30 June 2011	At 1 July 2010
J Hodson	50,000	50,000
Sir Clive Thompson	3,030,000	3,030,000
J E Cornish	–	–
M C Phillips	–	–
I R Dighé	–	–

There have been no changes to any of the above holdings between 30 June 2011 and the date of this report.

Substantial Shareholdings

The Directors had been notified of the following voting rights in the shares of the Company at 21 September 2011:

	Number of Ordinary shares	% of voting rights
SVG Capital plc	15,245,000	21.74
Fortelus Capital Management LLP	9,710,000	13.85
Schroder Investment Management	7,568,860	10.79
1607 Capital Partners	5,162,000	7.36
Gramercy Asset Management	4,292,000	6.12
SVM Asset Management	4,200,000	5.99
Brewin Dolphin	3,566,631	5.09
MAM Funds Plc	2,700,000	3.85

Investment Management Agreement

The Company's investments are managed by SVG Investment Managers Limited under an agreement dated 12 July 2005.

The Investment Manager's appointment is subject to termination on 12 months notice given at any time by either party.

There are no specific provisions contained within the Investment Management Agreement relating to compensation payable in the event of termination of the agreement other than entitlement to fees, including performance fees, which would be payable within any notice period.

However, the Investment Management Agreement expressly permits, in the event that a continuation resolution proposed at any annual general meeting is not passed, the Company may give notice terminating the Investment Manager's appointment without any compensation being payable to the Investment Manager in lieu of any period of notice otherwise required under the Investment Management Agreement.

At regular Board meetings the Directors keep under review the performance of the Investment Manager. In the opinion of the Directors the continuing appointment of SVGIM as Investment Manager is in the best interests of shareholders as a whole.

Investment Manager's fees

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

Existing basic fee

Previously, a basic management fee was payable to the Investment Manager at the annual rate of 1% of the adjusted NAV of the Company. In order to avoid double charging of basic management fees payable to the Investment Manager by the Company, the NAV of the Company is reduced by the aggregate of the value of the Company's limited partnership interest in SRF II and the amount of the Company's undrawn loan commitment to SRF II.

The basic management fee accrues weekly and is payable quarterly in arrears.

Following shareholder approval at a General Meeting held on 9 November 2010, the basic fee is now the lower of (i) the basic fee as calculated under the previous fee arrangements and (ii) 1.0% per annum of the Company's market capitalisation.

Performance fee arrangements

At a General Meeting held on 9 November 2010 shareholders approved a new performance fee for the Investment Manager. The changes were made to better align the respective interests of shareholders with the Investment Manager with the parallel benefit of providing a better incentive for the Investment Manager to continue to deliver a strong investment performance over the longer term.

The Company's performance is now measured over a rolling three year period ending on 30 June in each year, the first performance period having commenced on 1 July 2008 and ended on 30 June 2011.

The Company's performance is measured 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 (calculated before any accrual for any performance fee to be paid in respect of the relevant performance period) at the end of the relevant performance period exceeds both:

- (i) the NAV per share at the beginning of the relevant performance period as adjusted by the aggregate amount of (a) the total return on the FTSE SmallCap (ex. Investment Companies) Index (expressed as a percentage) and (b) 2.0% per annum over the relevant performance period ("Benchmark NAV"); and
- (ii) the high watermark (which is the highest NAV per share by reference to which a performance fee was paid previously). Currently, the Investment Manager will be entitled to 15% of the 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).

Administration Agreement

Under an agreement dated 12 July 2005, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited ("CSH") for a fee for the year to 30 June 2011 of £71,000. The fee is subject to annual review based on the UK Retail Price Index. In the event that there is an increase in the issued share capital of the Company, the fee will be adjusted upwards by agreement between the Company and CSH. The agreement may be terminated by either party giving notice of not less than six months.

Payment of Suppliers

It is the Company's policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by those terms. Trade creditors at 30 June 2011 were £Nil (2010: £Nil).

General Meetings

At a General Meeting held on 9 November 2010 Shareholders approved amendments to the Investment Management Agreement as described above.

Report of the Directors

(continued)

Adoption of New Articles of Association

The law in relation to UK companies has been undergoing a number of changes following the introduction of the Companies Act 2006 and the implementation of the Companies (Shareholders Rights) Regulations 2009 which were introduced in August of last year.

The changes brought about by the Companies Act 2006 have been implemented in stages, and the remaining parts were implemented on 1 October 2009. The Company has been updating its articles of association in stages to accommodate the revisions required as a consequence of the latest parts of the Companies Act 2006 to be implemented. Whilst the majority of the changes introduced on 1 October 2009 apply automatically to the Company, it is best practice to update the Company's articles of association to reflect the law when the opportunity arises. Accordingly, the Board is taking the opportunity of the Annual General Meeting to propose as Resolution 13 that the Company adopt new articles of association in order to ensure full compliance with the provisions of the Companies Act 2006.

The principal differences between the Existing Articles and the New Articles are described in the Appendix of this report on page 43.

Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this document until the close of business on Tuesday, 8 November 2011 at the offices of SVG Investment Managers Limited, 61 Aldwych, London WC2B 4AE, and at the Company's registered office:

- (i) the existing memorandum and articles of association of the Company; and
- (ii) the New Articles.

In addition, copies of the documents referred to in sub-paragraphs (i) to (ii) above will be available for inspection for at least 15 minutes prior to, and during, the Annual General Meeting at the offices of SVG Investment Managers Limited, 61 Aldwych, London WC2B 4AE, where the Annual General Meeting will be held.

Annual General Meeting

At the Annual General Meeting to be held on 8 November 2011, the Notice of which is set out on pages 45 and 46, resolutions will be proposed as items of special business as set out below.

(i) To continue the Company (Resolution 9)

The Board previously committed to providing shareholders with an opportunity to vote on an ordinary resolution to continue the Company as an investment trust at the 2010 AGM. The purpose of Resolution 9 is to satisfy that commitment. If this Resolution is passed, shareholders will be given an opportunity to vote on the continuation of the Company at next year's AGM, and at every AGM thereafter, provided that the NAV total return per share over the three years ending on the preceding 30 June has outperformed the total return on the FTSE SmallCap (ex-Investment Companies) Index over the same period and the average discount over the three months ending on the preceding 30 June is not wider than the average discount of the UK smaller companies sector over that period. If either of these tests are not met, the Board will bring forward proposals which are expected to allow shareholders to realise their investment. If Resolution 9 is not passed, the Board will bring forward proposals to liquidate, with or without offering a roll-over investment option, or otherwise reorganise or reconstruct the Company.

(ii) To authorise the allotment of shares (Resolution 10)

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without shareholder approval. The purpose of Resolution 10 is to empower the Directors to allot shares with an aggregate nominal value of up to £2,337,407, being approximately one-third of the Company's issued Ordinary share capital. The authority would last until the earlier of the Annual General Meeting in 2012 or 9 February 2013.

The Directors have no present intention of exercising the authority conferred by Resolution 10 and will only do so on the basis that the allotment and issue of shares does not dilute the net asset value per existing share.

(iii) To disapply Section 570 of the Companies Act 2006 (Resolution 11)

Under Section 570 of the Companies Act 2006, if the Directors wish to allot any equity securities, or sell any treasury shares (should they elect to hold any), for cash, they must first offer them to existing shareholders in proportion to their shareholdings. The purpose of Resolution 11 is to allow the Directors to allot shares, or sell any treasury shares, for cash other than in accordance with Section 570 in connection with:

- (a) rights issues and other pre-emptive offers; or
- (b) otherwise up to a maximum aggregate nominal amount of £350,611, representing approximately 5% of the Company's issued Ordinary share capital as at 21 September 2011 (being the latest practicable date prior to publication of this document).

The Directors consider the authority referred to in paragraph (a) is appropriate in order to give the Company flexibility to deal with legal or other difficulties should it decide to offer further shares to shareholders by way of a rights issue or other pre-emptive offer.

The Directors consider the authority referred to in paragraph (b) above desirable in order to have the flexibility to issue shares or sell shares from treasury, for example to take advantage of further investment/business opportunities as they arise.

These authorities will last until the earlier of the Annual General Meeting in 2012 or 9 February 2013.

(iv) To authorise the Directors to purchase the Company's own Ordinary shares (Resolution 12)
The purpose of Resolution 12 is to authorise the Company to purchase its own shares. As stated in the prospectus issued by the Company in connection with its listing on the London Stock Exchange in July 2005, the Company may purchase shares in the market in order to address any imbalance between the supply of and demand for shares and to increase the net asset value per share.

The Company will make such purchases only where the Directors believed that to do so will result in an increase in the net asset value per share for remaining shareholders and is in the best interests of shareholders generally.

The authority is limited to 10,511,318 Ordinary shares, representing approximately 14.99% of the Company's shares in issue as at 21 September 2011 (being the latest practicable date prior to publication of this document).

The Company will only purchase Ordinary shares at prices which are below the last published net asset value per Ordinary share. The maximum price (exclusive of expenses) payable per Ordinary share under this authority is the higher of (a) 5% over the average of the middle market prices of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the shares and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price payable per Ordinary share under this authority is the nominal value of that Ordinary share. Any purchases of Ordinary shares made pursuant to this authority will be market purchases.

Any such purchases will be made during the period commencing at the close of the Annual General Meeting and ending on the earlier of the date of the Company's Annual General Meeting in 2012 or 9 May 2013.

The Company is allowed to purchase its own shares either for holding in "treasury", or for subsequent cancellation. Shares held in treasury will have no voting, dividend or other rights. The Directors consider that the purchase of shares into treasury could be beneficial to shareholders in the long term.

As at 21 September 2011 (being the latest practicable date prior to publication of this document), the Company held no shares in treasury.

(v) to amend the articles of association (Resolution 13)

The purpose of Resolution 13 is to implement the changes brought about by the Companies Act 2006 which have been implemented in stages; the remaining parts were implemented on 1 October 2009. The Company has been updating its articles of association in stages to accommodate the revisions required as a consequence of the latest parts of the Companies Act 2006 to be implemented.

The Directors believe it is best practice to update the Company's articles of association to reflect the law when the opportunity arises. Accordingly, the Board is taking the opportunity of the Annual General Meeting to propose as Resolution 13 that the Company adopt new articles of association in order to ensure full compliance with the provisions of the Companies Act 2006.

The principal differences between the Existing Articles and the New Articles are described in the Appendix on page 43.

International Financial Reporting Standards ("IFRS")

The Company has prepared its financial statements in accordance with IFRS as adopted by the European Union.

Corporate Governance

The statement on corporate governance on pages 19 and 20 forms part of the Report of the Directors.

Information about Securities

Carrying Voting Rights

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

- The Company's capital structure and voting rights are summarised on page 1.
- Details of the substantial shareholders in the Company are listed on page 14.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 14.
- Details of the powers of the Directors including powers to issue or buy back the Company's shares are disclosed above.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Report of the Directors

(continued)

Going Concern

The Company's investment objective and investment policy, which are described on page 11 and which are subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is held only with banks approved and regularly reviewed by the Investment Manager. Note 18 to the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Board made the decision last year to give shareholders the opportunity to vote on an ordinary resolution to continue the Company at every AGM, provided that the NAV total return per share over the three years ending on the preceding 30 June has outperformed the total return on the FTSE SmallCap (ex-Investment Companies) Index over the same period and the average discount over the three months ending on the preceding 30 June is not wider than the average discount of the UK smaller companies sector over that period.

The Directors believe, in the light of the above and the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Board is pleased to confirm that the Company met both of the performance tests as at 30 June 2011. The Board is particularly pleased by the Company's strong investment performance, with the NAV total return per share outperforming the total return on the FTSE SmallCap (ex-Investment Companies) Index by 16.2% over the three years ended 30 June 2011 (and by 30.8% over the 12 months ended 30 June 2011, making the Company one of the best performers in its peer group over that period).

For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

Auditors

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

Company number 5448627

On behalf of the Board

John Hodson

Chairman

21 September 2011

Statement on corporate governance

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

The Company is subject to The UK Code of Corporate Governance ("the UK Corporate Governance Code") which can be found at www.frc.org.uk.

The Company complies with the AIC Code of Corporate Governance ("AIC Code") which can be found at www.theaic.co.uk.

This Statement forms part of the Report of the Directors as set out on pages 11 to 18.

Compliance with the AIC Code

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as Strategic Equity Capital plc.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

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

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide and in the pre-ambles to the AIC Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Company has not complied with the following recommendations of the AIC Code:

- No formal induction for the Board is deemed necessary due to the wide range of skills and experience of the Directors selected.
- A full portfolio listing is not provided as in the opinion of the Directors it is not in the best commercial interest of the Company.
- Given the size and nature of the Board it was not deemed appropriate to appoint a senior independent director.

The disclosures required under Disclosure and Transparency Rule 7.2.6 are reported on page 17 under 'Information about Securities Carrying Voting Rights'.

Board responsibilities

The Board consists of five Directors, all of whom are non-executive and, with the exception of Sir Clive Thompson, are independent of the Investment Manager. Biographies of the Directors appear on page 3. Sir Clive Thompson is deemed non-independent by virtue of his position on the Industry Advisory Panel ("IAP") (see below).

The Directors review at each Board meeting the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. The procedures were formalised in July 2005 in a schedule of matters specifically reserved for the Board's approval, which has been adopted since then for all meetings.

During the year ended 30 June 2011 the Company held four Board Meetings. All Directors were in attendance with the exception of Sir Clive Thompson on one occasion.

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

The Board is responsible for all matters of control and direction of the Company, including its investment policy. The Directors possess a wide range of financial, business and legal expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs.

The Company does not have a chief executive officer, but by appointing a management company the roles of Chairman and chief executive officer are effectively separated.

Board responsibilities and relationship with the Investment Manager

The Board is responsible for the determination and implementation of the Company's investment policy and for monitoring compliance with the Company's objective. The Company's main functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Board's main roles are to create value for shareholders, to provide leadership to the Company and to achieve the Company's investment objective. Specific responsibilities of the Board include reviewing the performance of the Company's Investment Manager, in particular in relation to asset allocation, gearing policy, cash management, investment outlook and revenue forecasts. In order to meet these responsibilities the Company Secretary and Investment Manager provide financial information on a regular basis, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

The Investment Manager is able, as part of the investment process, to make use of industry experts, such as utilising the IAP. The IAP was established to provide advice to SVGIM in relation to the strategy, operations and management of potential investee companies.

Statement on corporate governance

(continued)

The management of the Company's assets is delegated to SVGIM who have discretion to manage the assets of the Company in accordance with the Company's objective and policy. At each Board meeting, a representative from the Investment Manager is in attendance to present verbal and written reports covering its activity, portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

The Board acknowledges the UK Stewardship Code ("Stewardship Code") and has reviewed its recommendation with SVGIM. In turn SVGIM have disclosed their house stance on the Stewardship Code in full on the Company's website www.strategicquitycapital.com.

In summary the Manager supports the Stewardship Code and aims to comply with the majority of its recommendations.

Committees

An Audit Committee has been established under the Chairmanship of Mr Cornish, who as a former audit partner at Deloitte LLP has recent and relevant financial experience. The Audit Committee comprises all the independent Directors and operates within clearly written defined terms of reference. It provides a forum through which the Company's external Auditor reports to the Board of Directors. The primary responsibilities of the Audit Committee are: to review the effectiveness of the internal control environment of the Company; to monitor the integrity of the financial statements and accounting policies of the Company; to monitor adherence to best practice in corporate governance; to make recommendations to the Board in relation to the re-appointment of its Auditor and to approve their remuneration and terms of engagement; and to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process. The Committee undertakes a formal assessment of the Auditor's independence each year, which

includes: a review of non-audit services provided to the Company and related fees; discussion with the Auditor of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence; and obtaining written confirmation from the Auditor that, in their professional judgement, they are independent. Two Audit Committee Meetings were held over the course of the year. John Cornish, Ian Dighé and Michael Phillips attended both meetings. John Hodson attended one Audit Committee Meeting.

The Audit Committee has direct access to the Company's Auditor, Ernst & Young LLP, and representatives of Ernst & Young LLP attend the year end Audit Committee meeting.

The Board recommends to shareholders that the Auditor, Ernst & Young LLP, be re-appointed at the Annual General Meeting as set out in Resolution 8 of the Notice of Meeting.

A Management Engagement Committee has been established under the Chairmanship of Mr Hodson comprising all of the independent Directors and operates within clearly defined terms of reference. The Committee is responsible for reviewing the performance of the Investment Manager. The Committee also reviews the Company's other service providers and meets periodically.

Review of new Board appointments is a subject for the whole Board, led by the independent Directors, to monitor and consider. The Board meets as and when required for this purpose and to ensure planned and progressive refreshing of the Board. The Board does not believe it is necessary to have a separate nomination committee due to the size and nature of the Company.

The Board has previously engaged an external search consultant when considering a new appointment to the Board of Directors.

The Board collectively reviews its effectiveness and independence in a formal appraisal process, following the year end by way of a questionnaire.

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

The Board as a whole acts as a Remuneration Committee with Mr Hodson as Chairman. Further details are given in the Directors' remuneration report on page 23.

Terms of reference for each Committee are available for inspection at the Company's registered office and on the Company's website.

In addition, the Board has formalised the arrangements under which Directors, in the furtherance of their duties, may take independent professional advice at the expense of the Company.

The Company has arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances.

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after his/her appointment, and at least every three years thereafter unless a Director has been in office more than nine years, in which case he/she will stand for re-election every year. The terms also provide that a Director may resign or be removed without notice and that compensation will not be due on leaving office.

Internal control review

The Directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness.

Statement of Directors' responsibilities in respect of the financial statements

An ongoing process, in accordance with the guidance supplied by the Financial Reporting Council's Internal Control: Guidance for Directors on the Corporate Governance Code, has been established for identifying, evaluating and managing risks faced by the Company. This process is regularly reviewed by the Board.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review, which has been in place for the year ended 30 June 2011 and up to the date of this report, covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board considers the Company's objectives in light of the following factors:

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

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

- corporate strategy;

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

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors obtain information from key third party suppliers regarding the controls operated by them. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following:

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

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

- investment management is provided by SVGIM. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Investment Manager at regular meetings;
- the provision of administration, accounting and company secretarial duties are the responsibility of CSH. The Audit Committee reviews the internal controls report of CSH on an annual basis;
- custody of assets is undertaken by HSBC Global Services;
- the duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another;

- the non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual agreements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews detailed financial information produced by the Investment Manager and the Company Secretary on a regular basis.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose controls are reviewed by the Board. It is therefore felt that there is no need for the Company to have an internal audit function. However, this need is reviewed annually.

Company Secretary

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

Dialogue with shareholders

Communication with shareholders is given a high priority by both the Board and the Manager. Shareholders can communicate with the Board by writing to the Company Secretary at the address disclosed on page 4. Major shareholders of the Company are offered the opportunity to meet with the Investment Manager and the Directors in order to ensure that their views are understood. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the

Statement of Directors' responsibilities in respect of the financial statements (continued)

Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairmen of the Board's standing committees.

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

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

- select suitable accounting policies in accordance with IASB: Accounting Policies, Change in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;

- state that the Company has complied with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

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

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

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss/profit of the Company; and
- the Chairman's report, Investment Manager's report and Report of the Directors include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

On behalf of the Board
John Hodson
 Chairman
 21 September 2011

Directors' remuneration report

The Board has prepared this report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on page 24.

Remuneration Committee

The Board has resolved that, in view of the size of the Board, it is most appropriate for matters of remuneration to be dealt with by the Board as a whole sitting as a Remuneration Committee with Mr Hodson as the Committee's Chairman.

In the interests of continuity it is felt appropriate that Mr Hodson remain as Chairman of the Remuneration Committee.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year ending 30 June 2012.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits as the Board does not consider it to be appropriate at this time.

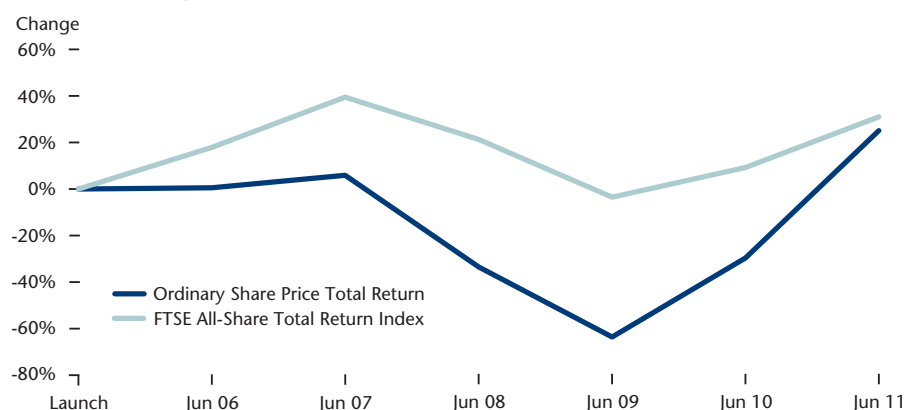
Director's Service Contracts

None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the year. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment, and at least every three years thereafter. Directors are not entitled to any termination payments in relation to their appointment.

Your Company's Performance

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

Performance Graph



Directors' Emoluments for the year (audited)

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

	Year ended 30 June 2011	Year ended 30 June 2010
	£	£
J Hodson (Chairman)	25,000	25,000
Sir C M Thompson*	17,500	17,500
J E Cornish	17,500	17,500
M Phillips†	17,500	30,000
I R Dighé	17,500	11,000

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

† Included in 2010's figures is £12,500 relating to advice provided on the acquisition of SRF II.

Approval

The Directors' remuneration report on this page was approved by the Board of Directors on 21 September 2011 and signed on its behalf by the Chairman.

John Hodson
Chairman

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

We have audited the financial statements of Strategic Equity Capital plc for the year ended 30 June 2011 which comprise the Statement of Comprehensive Income, the Statement of changes in equity, the Balance sheet, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free

from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 18, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Julian Young (Senior Statutory Auditor)

for and on behalf of

**Ernst & Young LLP, Statutory Auditor
London**

21 September 2011

Notes

1. The maintenance and integrity of Strategic Equity Capital plc's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of comprehensive income for the year ended 30 June 2011

	Note	Year ended 30 June 2011			Year ended 30 June 2010		
		Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Investments							
Gains on investments held at fair value through profit or loss		–	27,131	27,131	–	12,674	12,674
Exchange losses		–	–	–	–	(1)	(1)
	8	–	27,131	27,131	–	12,673	12,673
Income							
Dividends	2	1,253	–	1,253	1,087	–	1,087
Interest	2	26	–	26	16	–	16
Underwriting commission	2	23	–	23	24	–	24
		1,302	–	1,302	1,127	–	1,127
Expenses							
Investment Manager's fee	3	(473)	–	(473)	(396)	–	(396)
Other expenses	4	(469)	–	(469)	(447)	–	(447)
Total expenses		(942)	–	(942)	(843)	–	(843)
Net return before finance costs and taxation		360	27,131	27,491	284	12,673	12,957
Finance costs							
Interest payable		(50)	–	(50)	(50)	–	(50)
Total finance costs		(50)	–	(50)	(50)	–	(50)
Net return before taxation		310	27,131	27,441	234	12,673	12,907
Taxation	5	–	–	–	–	–	–
Net return and total comprehensive income for the year		310	27,131	27,441	234	12,673	12,907
		pence	pence	pence	pence	pence	pence
Return per Ordinary share							
Basic	7	0.40	35.60	36.00	0.31	16.72	17.03

The total column of this statement represents the Company's profit and loss account. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Statement of changes in equity for the year ended 30 June 2011

	Note	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 30 June 2011								
1 July 2010		7,981	5,246	60,398	(23,014)	–	611	51,222
Net return and total comprehensive income for the year		–	–	–	27,131	–	310	27,441
Dividends paid	6	–	–	–	–	–	(230)	(230)
Treasury shares cancelled		(305)	–	–	–	305	–	–
Share buy backs		(665)	–	(5,963)	–	665	–	(5,963)
30 June 2011		7,011	5,246	54,435	4,117	970	691	72,470
For the year ended 30 June 2010								
1 July 2009		7,262	2,070	60,398	(35,687)	–	607	34,650
Net return and total comprehensive income for the year		–	–	–	12,673	–	234	12,907
Dividends paid	6	–	–	–	–	–	(230)	(230)
New shares issued in the year		719	3,176	–	–	–	–	3,895
30 June 2010		7,981	5,246	60,398	(23,014)	–	611	51,222

Balance sheet as at 30 June 2011

	Note	30 June 2011 £'000	30 June 2010 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	71,336	49,859
Current assets			
Other receivables	10	217	177
Cash and cash equivalents	15	2,324	1,367
		2,541	1,544
Total assets		73,877	51,403
Current liabilities			
Other payables	11	1,407	181
		1,407	181
Total assets less current liabilities		72,470	51,222
Net assets		72,470	51,222
Capital and reserves:			
Share capital	12	7,011	7,981
Share premium account	14	5,246	5,246
Special reserve	14	54,435	60,398
Capital reserve	14	4,117	(23,014)
Capital redemption reserve	14	970	–
Revenue reserve	14	691	611
Total shareholders' equity		72,470	51,222
		pence	pence
Net asset value per share			
Basic	16	103.35	66.72

The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2011. They were signed on its behalf by

J Hodson
Chairman
21 September 2011

Statement of cash flows

for the year ended 30 June 2011

	Year ended 30 June 2011	Year ended 30 June 2010
Note	£'000	£'000
Operating activities		
Net return before finance costs and taxation	27,491	12,957
Adjustment for gains on investments	(27,131)	(12,673)
Interest paid	(50)	(50)
Operating cash flows before movements in working capital	310	234
Increase in receivables	(39)	(72)
Increase in payables	22	39
Purchases of portfolio investments	(17,367)	(25,168)
Sales of portfolio investments	23,451	20,212
Net cash flow from operating activities	6,377	(4,755)
Financing activities		
Equity dividends paid	6 (230)	(230)
Shares bought back in the year	(5,190)	–
Shares issued in the year	–	3,895
Net cash flow from financing activities	(5,420)	3,665
Increase/(decrease) in cash and cash equivalents for the year	957	(1,090)
Cash and cash equivalents at start of the year	1,367	2,457
Cash and cash equivalents at 30 June 2011	15 2,324	1,367

Notes to the financial statements

for the year ended 30 June 2011

1.1 Corporate information

Strategic Equity Capital plc is a public limited company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 whose shares are publicly traded. The Company is registered as a public limited company and 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 Section 1158 of the Corporation Tax Act 2010.

The financial statements of Strategic Equity Capital plc for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 21 September 2011.

1.2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance 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 AIC (as revised in 2009) 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.

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

Investments

All investments in the scope of IAS 39 held by the Company are classified as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increase in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. Investments are initially recognised at cost, being the fair value of the consideration, excluding transaction costs associated with the investment which are charged to the Statement of comprehensive income and allocated to capital.

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

Capital distributions from SRF II are accounted for on a reducing cost basis; cash received is first applied to reducing the historical cost of the investment; a realised gain will be recognised only when the cost has been reduced to nil.

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

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("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 company. 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 financial statements for the year ended 30 June 2011 (continued)

1.3 Accounting policies (continued)

Trade date accounting

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

Income

Dividends receivable on quoted equity shares are taken into account on the ex-dividend date. Where no ex-dividend date is quoted, they are brought into account when the Company's right to receive payment is established. Other investment income and interest receivable are included in the financial statements on an accruals basis. Dividends receivable from UK registered companies are accounted for net of imputed tax credits. Income on fixed income securities is recognised on a time apportionment basis from the date of purchase.

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 immediately through the Statement of comprehensive income and allocated to capital. The Company's investment management and administration fees, finance costs (including interest on the bank facility, calculated on the effective interest rate method) and all other expenses are charged through the Statement of comprehensive income. These expenses are allocated 100% to the revenue column of the Statement of comprehensive income. The Investment Manager's performance fee is allocated 100% to the capital column of the Statement of comprehensive income. In the opinion of the Directors the fee is awarded entirely for the capital performance of the portfolio.

Cash and cash equivalents

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

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, any difference between cost and redemption value being recognised in the Statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

Taxation

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

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

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

Dividends payable to shareholders

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. The final dividend is proposed by the Board and is not declared until approved by the shareholders at the Annual General Meeting following the year end. Dividends are charged to the Statement of changes in equity.

1.3 Accounting policies (continued)

Share capital transactions

Incremental costs directly attributable to the issuance of shares are recognised as a deduction from equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are either classified as treasury shares and are presented as a deduction from stockholders' equity, or are cancelled.

Foreign currency transactions

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

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

Use of estimates

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

Use of significant estimates – 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 company. 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.

1.4 New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which are not effective for the year ended 30 June 2011 and have not been applied in preparing these financial statements.

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IFRS 7	Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 27	Reissued as IAS 27 Consolidated and Separate Financial Statements (as amended in 2011)	1 January 2013

The Directors do not anticipate that the initial adoption of the above standards, amendments and interpretations will have a material impact on the Company's financial statements in the period of initial application.

Notes to the financial statements for the year ended 30 June 2011 (continued)

2 Income

	30 June 2011 £'000	30 June 2010 £'000
Income from investments:		
UK dividend income	1,253	1,087
Liquidity fund income	26	16
	1,279	1,103
Other income:		
Underwriting commission	23	24
	23	24
	1,302	1,127
Total income comprises:		
Dividends	1,253	1,087
Interest	26	16
Underwriting commission	23	24
	1,302	1,127
Income from investments:		
Listed UK	1,253	1,087
Listed overseas	26	16
	1,279	1,103

3 Investment Manager's fee

	30 June 2011			30 June 2010		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	473	–	473	396	–	396

A basic management fee is payable to the Investment Manager at the lower of (i) the annual rate of 1% of the adjusted Net Asset Value of the Company or (ii) 1% per annum of the market capitalisation of the Company. In order to avoid double charging of basic management fees payable to the Investment Manager by the Company, the NAV of the Company is reduced by the aggregate of the value of the Company's Limited Partnership Interest in SRF II and the amount of the Company's undrawn loan commitment to SRF II. The basic management fee accrues weekly and is payable quarterly in arrears. Prior to the General Meeting in November 2010, the Management fee had been calculated at 1% of the adjusted Net Asset Value of the Company, adjusted for SRF II as described above.

The Investment Manager is also entitled to a performance fee, details of which are given in the Report of the Directors on page 15. No performance fee has been payable in either year.

4 Other expenses

	30 June 2011			30 June 2010		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Secretarial services	71	–	71	73	–	73
Auditors' remuneration for:						
Audit services*	24	–	24	24	–	24
Directors' remuneration	95	–	95	89	–	89
Other expenses	279	–	279	261	–	261
	469	–	469	447	–	447

* No non-audit fees were incurred during the year.

5 Taxation

	30 June 2011			30 June 2010		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Corporation tax at 27.5% (2010: 28%)	–	–	–	–	–	–

The Company is subject to corporation tax at 27.5%, the average rate for the current tax year. As at 30 June 2011 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK (27.5%). The differences are explained below:

	30 June 2011			30 June 2010		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return on ordinary activities before taxation	310	27,131	27,441	234	12,673	12,907
Theoretical tax at UK corporation tax rate of 27.5% (2010: 28%)	85	7,461	7,546	66	3,548	3,614
Effects of:						
– UK dividends that are not taxable	(345)	–	(345)	(303)	–	(303)
– Gains on investment	–	(7,461)	(7,461)	–	(3,611)	(3,611)
– Unrelieved expenses	260	–	260	191	–	191
– Expenses not deductible for tax purposes	–	–	–	46	63	109
	–	–	–	–	–	–

Factors that may affect future tax charges

The Company has £5,945,000 of management expenses (2010: £4,989,000) that are available to offset future taxable revenue. It is considered too uncertain that there will be sufficient future taxable profits against which these expenses can be offset and therefore, in accordance with IAS 12, a deferred tax asset of £1,547,000 (2010: £1,397,000) in respect of these amounts has not been recognised.

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

Notes to the financial statements for the year ended 30 June 2011 (continued)

6 Dividends

Under the requirements of Section 1158 of the Corporation Tax Act 2010 no more than 15% of investment income generated from qualifying shares and securities may be retained by the Company. These requirements are considered on the basis of dividends declared in respect of the financial year as shown below.

	30 June 2011 £'000	30 June 2010 £'000
Net return after taxation per Company accounts	310	234
Final dividend proposed of 0.44p (2010: 0.30p) per share	(309)	(230)
Revenue retained for Section 1158 purposes	1	4

7 Return per Ordinary share

	Net return £'000	30 June 2011 Weighted average number of Ordinary shares	Per share pence	Net return £'000	30 June 2010 Weighted average number of Ordinary shares	Per share pence
Total						
Return per share	27,441	76,214,492	36.00	12,907	75,785,546	17.03
Revenue						
Return per share	310	76,214,492	0.40	234	75,785,546	0.31
Capital						
Return per share	27,131	76,214,492	35.60	12,673	75,785,546	16.72

8 Investments

	30 June 2011 £'000
<i>Investment portfolio summary</i>	
Listed investments at fair value through profit or loss	57,542
Unlisted investments at fair value through profit or loss	13,794
	71,336

8 Investments (continued)

	Listed £'000	Unlisted £'000	30 June 2011 Total £'000
<i>Analysis of investment portfolio movements</i>			
Opening book cost	58,106	4,470	62,576
Opening investment holding (losses)/gains	(16,719)	4,002	(12,717)
Opening valuation	41,387	8,472	49,859
Movements in the year:			
Purchases at cost	16,078	1,719	17,797
Sales – proceeds	(21,894)	(1,557)	(23,451)
– realised (losses)/gains on sales	(922)	400	(522)
Increase in unrealised appreciation	22,893	4,760	27,653
Closing valuation	57,542	13,794	71,336
Closing book cost	51,368	5,032	56,400
Closing investment holding gains	6,174	8,762	14,936
	57,542	13,794	71,336

A list of the top 10 portfolio holdings by their aggregate market values is given in the Investment Manager's report on page 7.

Transaction costs incidental to the acquisitions of investments totalled £99,000, (2010: £308,000 including costs associated with the acquisition of SRF II of £223,000) and disposals of investments totalled £44,000 (2010: £31,000) for the year.

	30 June 2011 Total £'000
<i>Analysis of capital gains</i>	
Losses on sale of investments	(522)
Movement in investment holding gains	27,653
	27,131

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

- Quoted bid prices (unadjusted) in active markets for identical assets or liabilities ("level 1").
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) ("level 2").
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) ("level 3").

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.

Notes to the financial statements for the year ended 30 June 2011 (continued)

8 Investments (continued)

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 30 June 2011.

Financial instruments at fair value through profit and loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments and limited partnership interests	57,542	11,807	1,987	71,336
Liquidity funds	–	2,150	–	2,150
Total	57,542	13,957	1,987	73,486

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 ("IPEVC") Valuation Guidelines.

There were no transfers between levels for the year ended 30 June 2011.

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 by class of financial instrument.

	Total equity investments £'000
Opening balance	1,524
Disposals during the year	(145)
Total gains for the year included in the Statement of comprehensive income	608
Closing balance	1,987

9 Significant interests

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

Name of investment	Class of Share	30 June 2011 Percentage held
Journey Group	Ordinary	10.85
4imprint Group	Ordinary	7.50
Allocate Software	Ordinary	6.82
Lupus Capital	Ordinary	4.50
Lavendon Group	Ordinary	3.46
<i>Unlisted investments:</i>		
Strategic Recovery Fund II	Partnership interest	16.29

10 Other receivables

	30 June 2011 £'000	30 June 2010 £'000
Dividends receivable	204	167
Accrued income	3	–
Other receivables and prepayments	10	10
	217	177

11 Other payables

	30 June 2011 £'000	30 June 2010 £'000
Amounts due to brokers	430	–
Amounts due to broker regarding share buy back	773	–
Other payables and accruals	204	181
	1,407	181

12 Called up share capital

	Number	£'000
Allotted, called up and fully paid Ordinary shares of 10p each:		
At 1 July 2010	79,815,974	7,981
Treasury shares cancelled	(3,045,500)	(305)
Share buy backs	(6,648,271)	(665)
At 30 June 2011	70,122,203	7,011

Notes to the financial statements for the year ended 30 June 2011 (continued)

13 Own shares held in treasury

	30 June 2011 £'000	30 June 2010 £'000
Nil (2010: 3,045,500) Ordinary shares of 10p each	–	305

The cost of the shares held in treasury, £Nil (2010: £1,884,000), has been taken to the special reserve. All the shares held in treasury were cancelled at par value on 25 February 2011.

14 Reserves

	Share premium £'000	Special reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on investments held £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	5,246	60,398	(10,297)	(12,717)	–	611
Net loss on realisation of investments	–	–	(522)	–	–	–
Increase in unrealised appreciation	–	–	–	27,653	–	–
Treasury shares cancelled	–	–	–	–	305	–
Share buy backs	–	(5,963)	–	–	665	–
Retained net revenue for the period	–	–	–	–	–	310
Dividends paid	–	–	–	–	–	(230)
As at 30 June 2011	5,246	54,435	(10,819)	14,936	970	691

15 Reconciliation of net cash flow to net debt

	30 June 2011 £'000	30 June 2010 £'000
Opening net funds	1,367	2,457
Increase/(decrease) in cash and cash equivalents in year	957	(1,090)
Closing net funds	2,324	1,367

	At 30 June 2010 £'000	Net cashflow £'000	At 30 June 2011 £'000
Cash at bank	167	7	174
Liquidity funds	1,200	950	2,150
	1,367	957	2,324

Note that in the cash flow statement, amounts outstanding for the share buy back (£773,000; 2010: £Nil) have not been included in the movement in payables calculation as this does not constitute an operating activity but rather a financing activity.

16 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £72,470,000 (2010: £51,222,000) and on 70,122,203 (2010: 76,770,474) Ordinary shares, being the number of shares in issue at the year end, less the number of shares being held in treasury of nil (2010: 3,045,500).

17 Capital commitments and contingent liabilities

The Company has a commitment to invest €2,160,000 (2010: €2,160,000) in Vintage I and an outstanding commitment to SRF II of £Nil (2010: £2,367,000).

18 Analysis of financial assets and liabilities

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

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

Due to timings of investment and distributions, at any one time the Company may hold significant amounts of surplus cash. Any funds in excess of those required to meet daily operation requirements are invested in Institutional Liquidity Funds. These are highly liquid assets that are redeemable on less than 24 hours notice. The Company only invests in funds that have a AAA rating and the funds performance is monitored by the Investment Manager. As at 30 June 2011 the Company had £2.2 million (2010: £1.2 million) invested in such funds. The maximum exposure to credit risk is £3,731,000 (2010: £1,548,000).

The Company finances its operations through its issued capital, existing reserves and a £5.0 million revolving credit facility which remains undrawn as at 30 June 2011.

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

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

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

Policy

(i) Market price risk

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

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

If the investment portfolio valuation fell by 20% from the 30 June 2011 valuation (2010: 20%), with all other variables held constant, there would have been a reduction of £14,267,000 (2010: £9,972,000) in the return before taxation and equity. An increase of 20% in the investment portfolio valuation would have had an equal and opposite effect on the return before taxation and equity.

(ii) Cash flow interest rate risk exposure

The Investment Manager is permitted to borrow up to 20% of the Company's adjusted portfolio valuation in accordance with the current facility loan covenant, and uses a £5.0 million revolving credit facility for this purpose, at variable rates to be determined prior to any drawdown. No amounts were drawn down during the year (2010: £Nil).

The Company's bank accounts earn interest at a variable rate which is subject to fluctuations in interest rates.

The Company holds cash in liquidity funds. Income from these funds is dependent on the performance of the funds.

Notes to the financial statements

for the year ended 30 June 2011

(continued)

18 Analysis of financial assets and liabilities (continued)

If interest rates had reduced by 1% from those obtained at 30 June 2011 (2010: 1%), it would have the effect, with all other variables held constant, of reducing the net return before taxation and equity by £17,000 (2010: £16,000). If there had been an increase in interest rates of 1% there would have been an equal and opposite effect in the net return before taxation and equity. The calculations are based on cash at bank and liquidity funds as at 30 June 2011 and these may not be representative of the year as a whole.

Non-interest rate risk exposure

The remainder of the Company's portfolio and current assets are not subject directly to interest rate risk.

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

The interest rate risk profile of the Company's financial assets at 30 June 2011 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Ordinary shares	57,542	57,542	–
Unlisted investments	11,807	11,807	–
Liquidity funds	2,150	–	2,150
Cash	174	–	174
Receivables*	207	207	–
	71,880	69,556	2,324
Euros			
Unlisted investments	1,987	1,987	–
	1,987	1,987	–
Total	73,867	71,543	2,324

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

The interest rate risk profile of the Company's financial assets at 30 June 2010 was:

	Total £'000	No interest rate risk financial assets £'000	Cash flow interest rate risk financial assets £'000
Sterling			
Ordinary shares	41,387	41,387	–
Unlisted investments	6,948	6,948	–
Liquidity funds	1,200	–	1,200
Cash	167	–	167
Receivables*	167	167	–
	49,869	48,502	1,367
Euros			
Unlisted investments	1,524	1,524	–
	1,524	1,524	–
Total	51,393	50,026	1,367

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

18 Analysis of financial assets and liabilities (continued)

The interest rate risk profile of the Company's financial liabilities at 30 June 2011 was:

	Total £'000	No interest rate risk financial liabilities £'000
Sterling		
Creditors	1,407	1,407

All amounts are due in three months or less (2010: three months or less).

The interest rate risk profile of the Company's financial liabilities at 30 June 2010 was:

	Total £'000	No interest rate risk financial liabilities £'000
Sterling		
Creditors	181	181

All amounts are due in three months or less.

(iii) **Liquidity risk**

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

(iv) **Foreign currency risk**

The Company invests in a private equity fund denominated in Euros. In addition, the Company's loan facility may be drawn down in US Dollars or Euros as well as Sterling. The Company is, therefore, subject to foreign currency risk.

During the year the Sterling/Euro exchange rate fluctuated 11% between a low of 1.1073 on 30 June 2011 and a high of 1.2251 on 23 August 2010, before closing at 1.1073 on 30 June 2011 (2010: 1.2214).

If the Sterling/Euro exchange rate had decreased by 15% from that obtained at 30 June 2011 (2010: 15%), it would have the effect, with all other variables held constant, of increasing net profit and equity shareholders' funds by £351,000 (2010: £269,000). An increase of 15% (2010: 15%) would have decreased net profit and equity shareholders' funds by £259,000 (2010: £198,000). The calculations are based on the value of the investment in Vintage I as at 30 June 2011 and this may not be representative of the year as a whole. The balance exposed to foreign currency risk is £1,987,000.

The bank facility, which since 14 July 2009 (before this date the facility was for £10.0 million) is a £5.0 million revolving credit facility with The Royal Bank of Scotland plc, incurs interest at the rate of 1.0% over LIBOR or EURIBOR. The facility may be drawn down in Sterling, US Dollars or Euros. The facility was undrawn at 30 June 2011. The undrawn balance incurs interest at the rate of 0.2%. The facility is available until 13 July 2012 in accordance with the current loan facility's covenant, gross borrowings shall not be more than 20% of the adjusted portfolio valuation at any time.

Fair values of financial assets and financial liabilities

The carrying value of the financial assets and liabilities of the Company is equivalent to their fair value.

Notes to the financial statements for the year ended 30 June 2011 (continued)

18 Analysis of financial assets and liabilities (continued)

Managing Capital

Capital structure

The Company is funded through shareholders' equity, cash reserves and an existing £5.0 million loan facility with The Royal Bank of Scotland plc, which was not utilised as at 30 June 2011. The Company's Articles of Association permit the Board to borrow up to 25% of the Company's net asset value at the time of borrowing. Capital is managed so as to maximise the return to shareholders while maintaining an appropriate capital base to allow the Company to operate effectively in the marketplace and to sustain future development of the business. The Company pays such dividends as are required to maintain its investment trust status, and may also from time to time return capital to shareholders through the purchase of its own shares at a discount to net asset value.

Capital constraints

The Company operates so as to qualify as a UK investment trust for UK tax purposes. Inter alia, this requires that no investment may exceed 15% by value of the Company's portfolio at the point of investment.

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

19 Related party transactions

The Investment Manager: SVG Investment Managers Limited 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 SVGIM in relation to the strategy, operations and management of potential investee companies.

The amounts payable to the Investment Manager are disclosed in note 3 on page 32.

The amount due to the Investment Manager at 30 June 2011 was £134,000 (30 June 2010: £109,000).

In June 2009 SVGIM entered into a Commission Sharing Arrangement with four executing brokers. Under this arrangement the amount of commission received by SVGIM in relation to trading activities carried out on behalf of the Company for the period to 30 June 2011 was £9,000 (30 June 2010: £6,000). The amount outstanding at year end was £Nil (2010: £6,000).

Appendix

Principal differences between the Existing Articles and the New Articles

The principal differences between the Existing Articles and the New Articles are as follows:

1 The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum of association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum of association. The Companies Act 2006 provides that a memorandum of association will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum of association, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that, unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum of association which, by virtue of the Companies Act 2006, have been treated as forming part of the Company's articles of association. Resolution 13 to be proposed at the Annual General Meeting confirms the removal of these provisions for the Company.

2 Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, a new article (Article 143) has been incorporated into the New Articles to enable the Directors to pass a resolution to change the Company's name.

3 Authorised share capital

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

4 Vacation of office by Directors

The Existing Articles specify the circumstances in which a Director must vacate office. The New Articles (Article 87(iv)) update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

5 Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The change has been reflected in the New Articles (Article 62).

Appendix (continued)

6 Electronic conduct of General Meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles (Article 54) contain the change to reflect more closely the relevant provisions.

7 Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes at a general meeting, as this is no longer permitted under the Companies Act 2006, as amended by regulation 22 of the Shareholders' Rights Regulations.

8 Liability of members

The New Articles (Article 144) expressly state that the liability of the members is limited to the amount, if any, unpaid on the shares held by them. This provision previously appeared in the Company's memorandum of association.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Strategic Equity Capital plc will be held at the offices of SVG Investment Managers Limited at 61 Aldwych, London WC2B 4AE at 11.30 am on Tuesday, 8 November 2011 for the following purposes:

Ordinary business

- 1 To receive and adopt the audited financial statements for the year ended 30 June 2011, together with the Reports of the Directors and Auditor thereon.
- 2 To declare a final dividend of 0.44p per ordinary share.
- 3 To receive and approve the Directors' remuneration report.
- 4 To re-elect John Cornish as a Director.
- 5 To re-elect John Hodson as a Director.
- 6 To re-elect Michael Phillips as a Director.
- 7 To re-elect Sir Clive Thompson as a Director.
- 8 To re-appoint Ernst & Young LLP as Auditor to the Company, to hold office from the conclusion of this Meeting until the next General Meeting at which financial statements are laid, and to authorise the Directors to determine their remuneration.

Special business

To consider and if thought fit to pass the following Resolutions:

Ordinary Resolution

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

Ordinary Resolution

- 10 THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £2,337,407 which authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and 9 February 2013 (unless previously revoked or varied by the Company in General Meeting) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

- 11 THAT the Board be and it is hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred by resolution 9 above and/or where such allotment constitutes an allotment of equity securities by virtue of Section 573 of the said Act, as if Section 561 of the said Act did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer or a scrip dividend alternative in favour of ordinary shareholders (excluding any shares held as treasury shares) and in favour of holders (excluding any shares held as treasury shares) of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities or sale of shares out of treasury up to an aggregate nominal value of £350,611,

and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and 9 February 2013, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Board may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting (continued)

- 12 THAT the Company be generally and unconditionally authorised, in accordance with Article 7 of the Company's Articles of Association, to make market purchases (as defined in Section 701 of the Companies Act 2006) of its Ordinary shares provided that:
- (i) the Company does not purchase under this authority more than 10,511,318 Ordinary shares;
 - (ii) the Company does not pay for each such Ordinary share less than the nominal amount of such Ordinary share at the time of purchase; and
 - (iii) the Company does not pay for each such Ordinary share more than the higher of (a) 5% over the average of the middle market prices of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the shares, and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

This authority shall continue for the period ending on the date of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 9 May 2013, provided that if the Company has agreed, before this authority expires, to purchase Ordinary shares where the purchase will or may be executed after this authority expires (whether wholly or in part), the Company may complete such purchase as if this authority had not expired.

13 THAT

- (i) the articles of association of the Company be and they are hereby amended by deleting all the provisions of the Company's memorandum of association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's articles of association; and
- (ii) the articles of association in the form produced to the meeting and signed for the purpose of identification by the chairman of the meeting be and they are hereby adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

Registered Office:
Beaufort House
51 New North Road
Exeter EX4 4EP

By Order of the Board
Capita Sinclair Henderson Limited
Secretary
21 September 2011

Notes:

1. A member entitled to attend, vote and speak at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A personalised form of proxy is enclosed for use in connection with the business set out above. To be valid, the form of proxy, should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), to reach the Registrars at the address printed on the form of proxy not less than 48 hours before the time of the meeting or any adjournment thereof. A member present in person or by proxy shall have one vote on a show of hands and on a poll shall have one vote for every Ordinary share of which he/she is a holder.

To appoint more than one proxy, shareholders will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.

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

Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.
2. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
3. The statements of the rights of members in relation to the appointment of proxies in Note 1 above do not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.

4. As at 21 September 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital amounted to 70,122,203 Ordinary shares carrying one vote each. The total voting rights of the Company as at 21 September 2011 were 70,122,203.
5. The Company specifies that only those shareholders registered on the Register of Members of the Company as at 11.30 am on 6 November 2011 (or in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at 11.30 am on the day which is 48 hours prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:
 - a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
 - b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
7. Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. The business which may be dealt with at the AGM includes a resolution circulated pursuant to this right. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than 6 weeks before the date of the AGM.
8. The following documents will be available for inspection at the registered office of the Company, Capita Sinclair Henderson Limited, Beaufort House, 51 New North Road, Exeter, EX4 4EP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the offices of SVG Investment Managers Limited, 61 Aldwych, London WC2B 4AE from 11.15 am until the conclusion of the meeting:
 - A copy of the current Articles of Association of the Company.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
11. A copy of this Notice of Annual General Meeting is available on the Company's website www.strategicquitycapital.com.

Notes



Strategic Equity Capital plc

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