CAPITAL GEARING TRUST P.L.C.

Annual Report and Financial Statements

For the year ended 5 April 2021

Company Summary

The Company

Capital Gearing Trust P.l.c. (the "Company") is an investment trust with shares listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

Investment Objectives

The Company's dual objectives are to preserve shareholders' real wealth and to achieve absolute total return over the medium to longer term.

Capital Structure and Voting Rights

The share capital comprises Ordinary shares of 25 pence each. As at 5 April 2021, 13,813,113 shares were in issue and no shares were held in treasury (5 April 2020: 11,509,263 shares in issue and 102,300 shares held in treasury). Each Ordinary share has one vote.

Discount/Premium Control Policy

The Company will aim to purchase or issue shares to ensure, in normal market conditions, that the shares trade consistently close to their underlying Net Asset Value per share.

Dividends

The Company pays an annual dividend but focuses on total return rather than any net income level.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at the offices of Smith & Williamson Investment Management, 25 Moorgate, London EC2R 6AY at 11.00 a.m. on Tuesday 6 July 2021. Please note that as a result of the ongoing Covid-19 pandemic and the imposition of the measures by the UK Government attendance at the AGM may not be possible. Further details on the arrangements for the AGM are provided on page 64.

Management and Administration

Investment management is carried out by CG Asset Management for an annual fee of 0.60% of net assets up to £120m, 0.45% on net assets above £120m to £500m and 0.30% thereafter. Company secretarial and various administrative services are provided by PATAC. Custodial and Depositary services are carried out by The Northern Trust Company.

Alternative Investment Fund Manager

CG Asset Management is the Company's full scope Alternative Investment Fund Manager.

ISA

The Company manages its affairs so as to be a fully qualifying investment trust under the individual savings account (ISA) rules.

aic
The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

Information disclaimer

This report is produced for members of the Company with the purpose of providing them with information relating to the Company and its financial results for the period under review. If you are in any doubt as to the action you may need to take, please seek advice from your stockbroker, solicitor, accountant or other financial advisor authorised under the Financial Services and Markets Act 2020. This report contains subjective opinion, analysis and forward looking statements which, by their very nature involve uncertainty. Events beyond the control of the Directors and the Company may affect actual future results which may therefore differ to those indicated within this historical report. Market and currency fluctuations may occur which may in turn have an impact on the value of the Company's underlying investments in the future. Past performance is no guarantee of future performance. Investments are not guaranteed and you may not get back the amount you originally invested. Neither the Directors nor the Company take responsibility for matters outside of their control. The Board and its advisers, including CG Asset Management and PATAC, have endeavoured to produce these audited accounts in good faith and in accordance with legislation, regulations, reporting standards and to be useful to stakeholders in the Company, including its shareholders.

Contents

Financial Summary

Performance

(All data as at 5 April)

Total Returns

	1 Year	3 Years	5 Years	10 Years
Share Price[1]	13.6%	23.6%	42.9%	61.3%
NAV per Share[1]	13.9%	23.6%	40.0%	84.0%
MSCI UK Index	26.6%	2.8%	31.4%	58.9%
Inflation (RPI)	1.5%	6.7%	13.7%	27.7%
Share Price relative to MSCI UK	-10.3%	20.2%	8.8%	1.5%
Share Price relative to RPI	11.9%	15.8%	25.7%	26.3%

Key Data

	2021	2020	2019	2018	2017	2016	2011
Market Capitalisation (£m)	651.3	482.2	328.9	225.3	172.4	109.1	88.7
Shareholders' Funds (£m)	634.0	470.1	321.9	219.5	169.5	107.9	75.6
Shares in issue	13,813,113	11,509,263	7,886,589	5,762,919	4,453,174	3,190,981	2,847,906
Share Price (pence)	4,715.0	4,190.0	4,170.0	3,910.0	3,870.5	3,402.0	3,115.0
NAV per Share (pence)	4,590.2	4,084.2	4,082.0	3,809.0	3,805.0	3,382.0	2,652.8
Premium to NAV[1]	2.7%	2.6%	2.2%	2.6%	1.7%	1.1%	17.4%
Earnings per Share (pence)	51.04	59.12	51.12	37.04	18.26	16.91	19.81
Total dividend per Share (pence)	45.00	42.00	35.00	27.00	20.00	20.00	18.50
Ongoing Charges Ratio[1]	0.58%	0.65%	0.70%	0.77%	0.89%	1.04%	1.35%
MSCI UK Index	15,303.2	12,085.7	16,062.4	14,884.2	14,615.9	11,645.5	9,632.7
UK Retail Price Index (at 31 March)	296.9	292.6	285.1	278.3	269.3	261.1	232.5

Allocation of Portfolio

	2021	2020	2019	2018	2017	2016	2011
Index-Linked Government Bonds	29.9%	25.1%	33.0%	37.9%	34.7%	31.7%	33.1%
Conventional Government Bonds	6.2%	18.8%	10.3%	1.1%	4.1%	–	20.1%
Preference Shares/Corporate Debt	10.3%	14.0%	17.6%	17.3%	21.5%	27.7%	17.1%
Funds/Equities	46.0%	34.1%	35.2%	36.9%	33.4%	29.4%	24.7%
Cash	5.8%	6.9%	2.9%	5.8%	5.4%	10.0%	2.9%
Gold	1.8%	1.1%	1.0%	1.0%	0.9%	1.2%	2.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

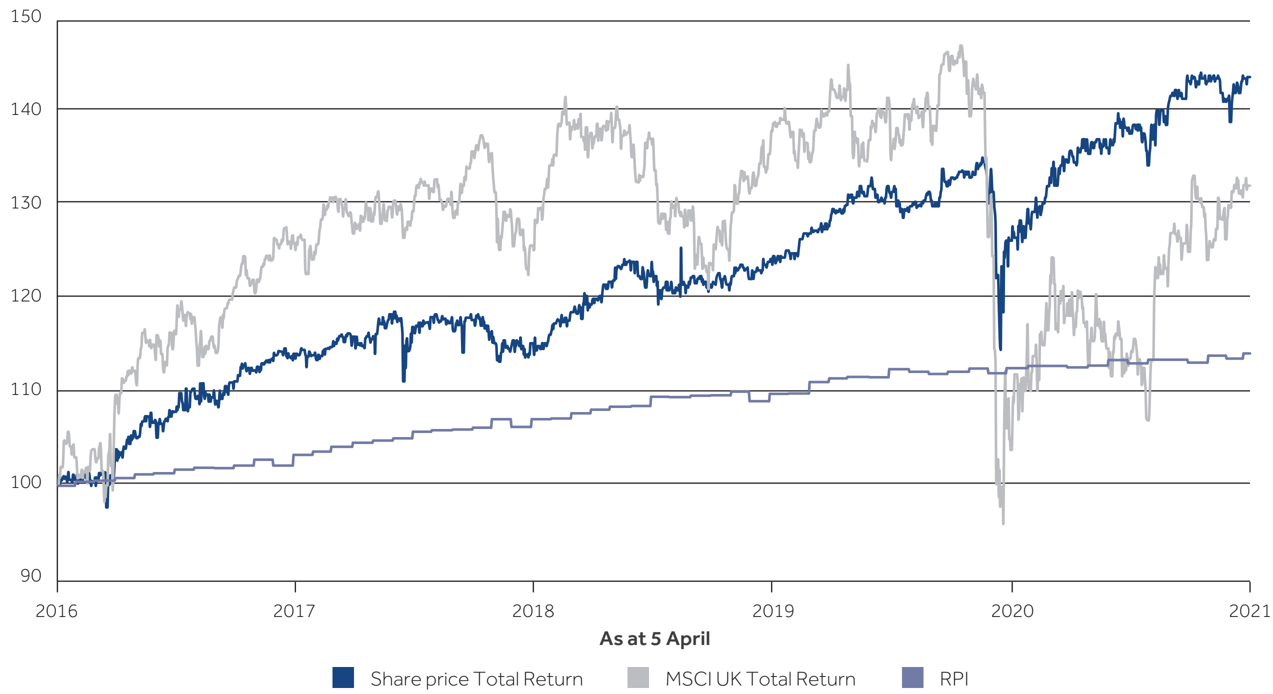
[1] Alternative Performance Measure. Please refer to the inside back cover for a glossary of terms and definitions.

Performance

The Company does not have a formal benchmark but uses the MSCI UK Index and the UK Retail Price Index ("RPI") as relative measures over the medium to longer term.

Share price total return performance over 5 years to 5 April 2021

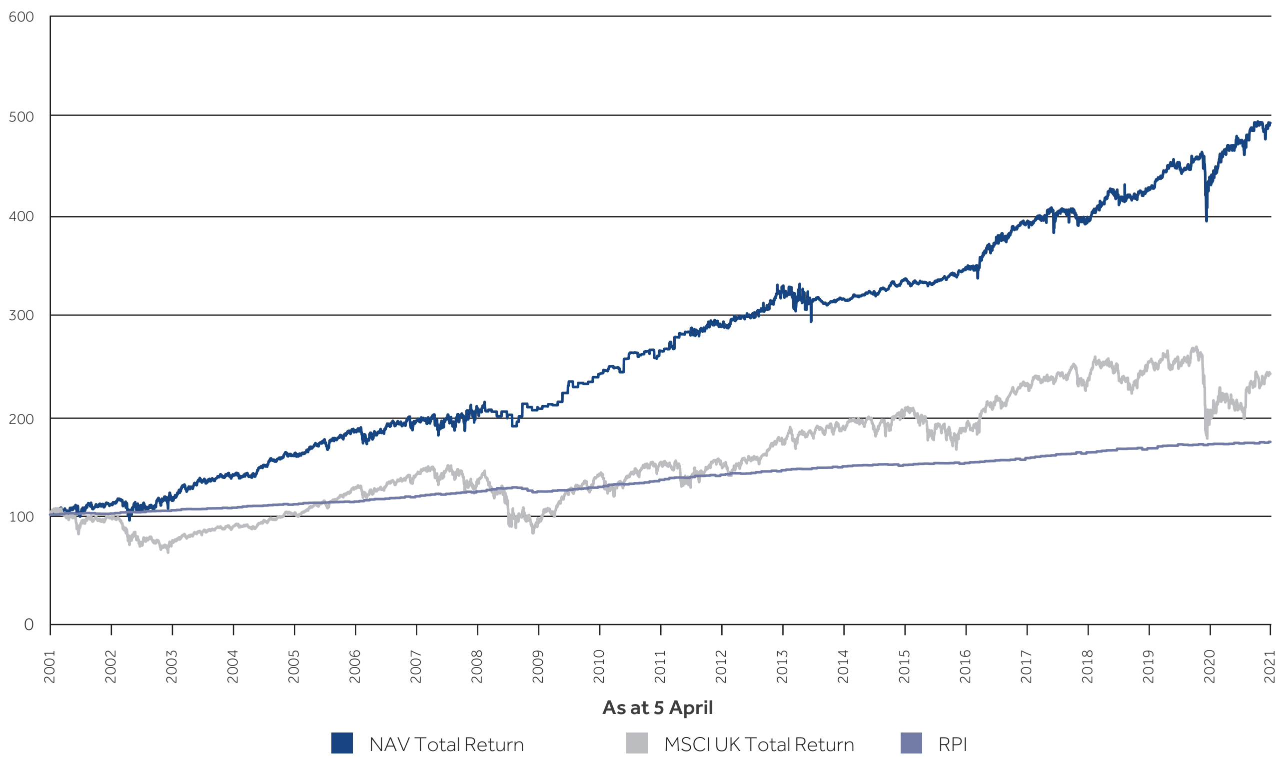
Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past five years, compared with the total return on the MSCI UK Index and RPI*. Each measure is rebased to 100 in 2016.



*Source: CG Asset Management Limited

Net asset value total return performance over 20 years to 5 April 2021

Based on the Company's NAV per Ordinary share, the graph below illustrates the total return to investors in the Company over the past 20-years, compared with the total return on the MSCI UK Index and RPI*. Each measure is rebased to 100 in 2001.



*Source: CG Asset Management Limited

Chairman's Statement

Overview

No one could have predicted how strong equity markets would be against the adversity of the pandemic. The Company does not set out to mirror equity markets, but rather – as our investment objectives state – to maintain the real wealth of shareholders, which the Company has achieved again over the past year. Even when markets have fallen in the last year, the drawdown – or maximum fall in NAV – has been limited to 1.5%, thereby protecting shareholders from the market's downside.

I would like to thank our Investment Managers who have worked very hard throughout the pandemic, mostly from their own homes, and proved that they can fulfil their role in a seamless and satisfactory way. Shareholders have been provided with another year of very acceptable returns. As testament to this meeting of objectives, the Company continues to attract new investors, which is discussed more fully below.

As at 5 April 2021, the NAV per share was 4,590.2p, a total return of 13.9% for the year. The share price total return was 13.6%, ending the year at 4,715p. We believe this to be a commendable performance, in both the share price and NAV per share returns in absolute terms. Measured in total return terms, the NAV over the past year has been behind the MSCI UK Index return of 26.6%, one of the Company's comparator indices, but over the longer-term NAV has outperformed the MSCI UK Index. The Company's returns emphatically beat inflation as measured by the UK Retail Price Index (RPI) +1.5% and preserved shareholder wealth accordingly. Demand for the Company's shares continues to be strong and net assets have grown from £470.1m at 5 April 2020 to £634.0m a year later.

While asset allocation has become an important driver of returns in recent years, a number of special situations were helpful to returns in the latest year. In general, closed-ended funds and other collective investments have been priced closer to NAV, and not on wide discounts, thereby limiting potential upside. Discounts on closed-ended funds can provide a liquidity trap, especially for illiquid asset classes, so it is more the asset allocation decision than the attraction of discount narrowing that determines investments made and held in the closed-ended sector. As the assets of the Company grow, we anticipate that asset allocation will continue to be the major component of returns.

The greatest asset allocation change over the last year has been the reduction in Treasury Bills and conventional government bonds, with the proceeds largely allocated to equity orientated funds. The majority of this move was into property equities, many of which have income linked to RPI.

In the early stage of the crisis the Investment Managers were buying conventional equities, but by the late spring of last year the equity market had rebounded so strongly that the purchasing of conventional equities for the Company stopped. That was not the case with property stocks which the Investment Managers were buying throughout the spring and summer, right up to the 'vaccine bounce' in the autumn, as these property stock prices remained depressed for that whole period. The average weighting to risk assets over the year was 44%, which is higher than it has been. This weighting has contributed 15% to the overall return.

The allocation to index-linked bonds increased by 3%, with these additions made mostly in Japan and Australia. This was part of the reason that the sterling exposure reduced from 61% at the start of the year to 51% at the end of the year. As sterling has strengthened, the Company is now invested in more overseas assets. The average weighting in index-linked assets over the year was 28% and they returned a small negative contribution of -1%.

Further detail on the portfolio and stock movements is provided in the report from the Investment Managers and elsewhere in the Strategic Report.

Dividend and Earnings

The revenue return per share, after tax and expenses, for the financial year was 51.04p. This is the third year running that we have had a strong revenue account. The revenue account has benefitted from a greater proportion of the portfolio in corporate bonds held at the start of the year, and also from an increased exposure to equity orientated funds with many dividends linked to RPI. The Company's portfolio is not managed with any income criteria in mind and the payment of dividends is largely a consequence of meeting the income distribution tests for maintaining investment trust status. Dividends are not a material part of the Company's total return objective.

The Board has resolved to pay a dividend of 45p per share on 16 July 2021 to those on the register at 11 June 2021. This compares with an aggregate dividend of 42p last year. There will be no distinction drawn between an ordinary and special dividend level (which was used in the last three years) in the future and past dividends will be no guarantee of future dividends payable. These will continue to be largely determined by net revenue received by the Company each year.

Chairman's Statement (continued)

Costs

The Board continues to monitor and exact close control on the costs of running your Company. The assets of the Company now exceed £500m, so the lower investment management fee rate of 0.3% is charged on assets over £500m with a beneficial impact on the overall cost ratio. The Company is now liable to pay corporation tax since it is no longer in a position to offset prior years' management costs against net income, with such a high proportion of the net income emanating from interest receipts rather than from dividends.

The key measure of overall costs is the ongoing charges ratio (OCR), which we now measure in two ways. In previous years, the OCR solely included the cost of running the Company, and in the year to 5 April 2021, this has declined from 0.65% last year to 0.58% this year. As disclosed in the Key Information Document (KID), when the management costs of the underlying funds in which the Company invests are also taken into account, this raises the OCR to 0.90% in the year to 5 April 2021 (0.91% in year to 5 April 2020). In both cases, the figure is lower this year due to our fixed costs being spread over a larger asset base and moving on to a lower management fee rate for a significant proportion of our assets.

The Company does not have any substantial marketing or promotional costs, which are largely included in the management fee, and we try and keep the operations of the Company, which does not have any gearing or complex capital structure, as low as we can.

Board Matters

In my interim statement, we said goodbye to Graham Meek, who stepped down as Chairman at the AGM in 2020. Graham agreed to stay on the Board whilst we recruited a new director, a process which we delayed because of the pandemic in the hope that we could initiate interviews in person, rather than virtually. Graham has been a long-standing and esteemed member of the Board for some 17 years, latterly as Chairman. We are very grateful to his dedication, contribution and wise counsel over that time.

Our recruitment process, through the search agency Fletcher Jones, gave us a chance to see a wide range of candidates from whom we selected Wendy Colquhoun. Wendy was appointed on 5 January 2021, and has considerable experience in a number of fields: an experienced corporate lawyer, specialising in financial services and closed-ended funds, and a non-executive director of two other investment trusts. I would like to welcome Wendy to the Board and recommend her appointment at the AGM.

At the AGM, Alastair Laing, who is the only non-independent member of the Board, will step down. Since 1982, first Peter Spiller and then Alastair Laing, both of whom are members of the investment management team and directors of CGAM, have been members of the Board. Now that the Company has grown its assets, has a wider shareholder base, and is operating in a more 'governance heavy' environment, we believe that the Board should be wholly independent of the Investment Managers.

I would like to thank Alastair for his contribution on the Board and his input into the running of the Company and the investment process. I am pleased to say that Alastair will continue to attend Board meetings as representative of the Investment Manager, so we will not be losing his insightful input in any way.

During the year the Board undertook a review of Director's fees, and after taking external advice and making comparisons with other similar companies, it is proposed to increase the level of fees for the new financial year. Our Director's fees have not been raised for two years. We have a relatively small focused Board and the proposed fees still represent a reduction in Board costs from former years and are modest by comparison with the increase in the Company's assets and operations.

Annual General Meeting

The AGM will be held on Tuesday, 6 July 2021 at 11.00 a.m. The notice convening the fifty-eighth AGM of the Company is set out on pages 63 and 64.

Under the current restrictions it is not expected that it will be possible for shareholders to physically attend the meeting this year. If this position changes then the Company will make an announcement through an RNS. Shareholders will be able to submit questions in advance through the Company Secretary. Answers will be posted on the Company's website shortly after the meeting. It is customary, before the formal business is completed, for our Investment Managers to make a short presentation on the outlook for capital markets and the Company's investments. This year there will be a video presentation which can be viewed on the Company's website following the AGM.

As well as the usual business of the AGM, the Board has put forward three other additional Resolutions at this year's AGM.

Chairman's Statement (continued)

Annual General Meeting (continued)

The first relates to a rewording of the investment objectives and policy. During the year the Board and the Investment Managers undertook a review of the Company's objectives and investment policy. This review focused on ensuring that all the types of investment that the Investment Managers may seek to acquire in pursuit of the investment objectives are permitted as well as ensuring that these and the policy are clear and understandable for shareholders and investors. There is no material change proposed to the way in which the investments are managed by the Investment Managers or the investments that are included within the portfolio.

The Board also instructed a review of the Company's articles of association to ensure that these were up to date. As a result of this review a number of minor amendments have been proposed to the articles to reflect recent legislative changes and to allow for hybrid meetings to be held if required. The Board has no intention of holding meetings in this format and will continue to hold physical AGMs when it can. Although it is unlikely to be this year the Board looks forward to resuming the normal format of the AGM and welcoming shareholders back to the AGM when the restrictions allow.

An increase to the cap on Directors fees, from £150,000 to £165,000 is being sought at the AGM. This proposed change will provide sufficient headroom to allow recruitment of a further Director at some point in the future should this be considered desirable.

Further details on these resolutions can be found on pages 25 and 26 of the Directors' Report.

The Board firmly believes that all of the resolutions being proposed are in the best interests of the Company and its shareholders and encourages shareholders to vote by proxy in favour of the resolutions, as the Board intends to do in respect of their own shareholdings. We would encourage shareholders to return their votes by electronic proxy, rather than via the postal service.

Share Issuance and Buybacks

I am pleased to report that the discount control policy ('DCP') has proved functionally robust and continues to protect and serve shareholders well in providing good liquidity, enabling the shares to trade consistently close to NAV, even in the most volatile market conditions.

At the latest financial year end, there were 13,813,113 shares in issue and net assets were £634.0m. Although the Company incurs modest costs for operating the DCP, issuance at a premium and buying back at a discount under the DCP more than compensates and is consistently accretive to NAV. The Board estimates that issuance under the DCP added 0.4% to shareholder total returns over the last financial year. Shareholders also benefited from a significant reduction in the ongoing charges ratio.

The Board continually monitors the performance of the Company to ensure that the expansion in assets under management has no impact on our investment strategy nor on NAV per share performance. It clearly has had the beneficial impact of removing share price volatility and has ensured a robust and orderly secondary market with both adequate liquidity and pricing stability relative to the NAV. Given the growth in assets, it is a key priority of the Board to ensure that there is capacity to continue to grow within the investment remit, whilst with a portfolio liquid enough to support DCP both for share buyback, should it be required, and issuance.

The Board remains firmly of the view that the continued implementation of the DCP remains in the best interest of shareholders. So far, the Board has been issuing stock to meet demand, but in the event that shareholders were looking to sell stock, it would have no hesitation in operating an equally robust buy-back policy.

Outlook

The pandemic has had a disruptive effect on people and businesses for over a year now.

The economic consequences have been severe and Governments have responded with extraordinary policy initiatives, but it will take time to get back to any semblance of normality and perhaps, and more likely, a 'new normal'. Government debt is at extraordinary levels. This will either have to be inflated away, paid back, or we might suffer significant defaults – or maybe even a combination of all three. Many businesses will take time to recover, but some 'disruptors' have accelerated the pace of change so their businesses are well placed for the future. This is very evident in both the technology and property sectors, where the pace of change has gained momentum due to the health crisis. Low interest rates make traditional bonds unattractive, especially as inflation may increase when the economies open up again.

The Investment Managers have navigated their way through the pandemic with great expertise, taking opportunities where and when they arose, shifting the asset allocation at appropriate moments, and protecting the portfolio against any significant drawdowns. I have every reason to believe that they will continue to preserve shareholders' real wealth over the medium to longer term and, as is the case in this and most other years, provide a creditable total return for shareholders as well.

Jean Matterson
Chairman
21 May 2021

Strategic Review

Business model and investment strategy

The Company, as an investment trust, is a UK closed-end public limited company which invests in a diversified portfolio of assets meeting investment trust tax conditions. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed and are overseen by experienced independent non-executive Directors.

The Company has no employees, and the Board outsources its entire operational infrastructure to third party organisations. In particular, the Board appoints and oversees an independent Investment Manager to manage the investment portfolio. The Board sets the company's strategy, decides the appropriate financial policies to manage the assets of the company, ensures compliance with tax, legal and regulatory requirements and reports regularly to shareholders on the Company's performance. The Directors do not envisage any change to this model in the foreseeable future.

The Company seeks to preserve shareholders' real wealth and deliver absolute total returns through the construction of a multi asset portfolio with a specialist focus on investment trust equities and related securities. Portfolio construction is the key tool to mitigate capital loss in any given year. The Investment Manager allocates across asset classes based on an assessment of capital markets and macro-economic risks, with the aim of avoiding capital loss. In addition, a portion of the portfolio is invested into closed ended investment companies with the aim of exploiting inefficiencies to generate risk adjusted returns that are superior to those available in more liquid equity markets.

As set out in the Chairman's Statement proposals to adopt the revised investment objectives and investment policy, which is largely an exercise in re-casting and clarifying the description rather than involving change, will be put to Shareholders at the AGM to be held on 6 July 2021. Further details on the proposed rewording of the investment objectives and policy are set out on page 25 of the Directors' Report. The current investment objectives and investment policy are set out below.

Investment objectives

The Company's dual objectives are to preserve shareholders' real wealth and to achieve absolute total return over the medium to longer term.

Investment policy

The Company aims to achieve its investment objectives through long only investment in quoted closed-ended funds and other collective investment vehicles, bonds, commodities and cash, as considered appropriate.

Given the diverse attributes of closed-ended funds and other collective investment vehicles, as well as the lower-risk characteristics attached to the other asset classes in which the Company invests, a flexible approach to asset allocation is adopted. It is anticipated that under most market conditions, a broad mix of assets will be maintained and a maximum 80% exposure to either equity or fixed-interest securities (including index-linked securities and cash) may be held at any time.

The Investment Manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure. The Company will not invest more than 15% of its investment portfolio in any single investment.

The Company does not have a formal benchmark but uses the UK Retail Price Index ("RPI") as the minimum target for returns to be achieved over the medium to longer term, thereby aiming to at least preserve the real value of shareholders' investments.

The Company, in pursuing total return, does not aim to invest for income to support any target dividend payment, hence capital return is likely to be the largest component of the absolute return objective.

The maximum proportion of the Company's gross assets that can be held in other UK-listed investment companies which do not have a stated investment policy to invest no more than 15% of their gross assets in other UK investment companies is 10% in accordance with Listing Rule 15.2.5. It is, however, the aim of the Company to maintain a maximum 6% investment level in such companies in order to avoid any potential breach of this rule and to maintain investment flexibility.

The Company may invest in derivatives such as warrants, options, swaps and forward contracts for the purpose of efficient portfolio management, subject to prior Board approval. Investments in other funds managed by CG Asset Management, or by associates of CG Asset Management, will be considered by the Board on a case by case basis and are subject to Board approval.

The Company has the authority to borrow up to 20% of net assets, subject to prior Board approval.

Strategic Review (continued)

Key performance indicators ("KPIs")

The Board monitors numerous KPI indices and ratios for the purpose of assessing and reporting investment performance. The Board monitors the performance of the Investment Manager against RPI over the short-term (3 years) and the MSCI UK over the longer-term (10 years).

Tables and graphs showing the performance of the Company's NAV per share compared with RPI and the MSCI UK Index are shown on pages 2 and 3.

In addition, the Board monitors the following KPIs:

- Share price premium/discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back or issued. At the start of the year under review the premium to NAV was 2.6% compared with 2.7% at the year end with an average of 2.1% for the year; and
- Ongoing charges percentage, calculated using the methodology recommended by the Association of Investment Companies which enables the Board to measure the control of costs. This percentage was 0.58% for the year to 5 April 2021 (2020: 0.65%). Further information can be found on the inside back cover.

Principal and emerging risks

The world has been subject to the most extraordinary challenges, largely as a result of the Covid-19 virus which has affected most parts of the world bringing medical, social, economic and financial crises. It is impossible to quantify the extent of damage that may be wrought over the longer term and the emerging risks that will be faced for the Company. The Directors continue to work with the agents and advisers to the Company to try and manage the risks, including emerging risks, that will be faced by companies generally. The central aims remain to preserve value in the Company's portfolio and liquidity in the Company's shares which was achieved in the last twelve months. The Directors are also trying to ensure that the Company maintains its investment strategy, has operational resilience, meets its regulatory requirements as an investment trust (and in particular in the provision of regular information to the market) and navigates the financial and economic circumstances in these continuing uncertain times.

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties facing the Company, together with the mitigating actions the Board take, are set out in the table below. The exogenous risks posed by the Covid-19 pandemic continue to impact on all the risks the Company faces.

Risk	Mitigation
Investment strategy and performance The Board is responsible for setting the investment strategy of the Company and monitoring investment performance. Inappropriate strategy and/or poor investment performance may have an adverse effect on shareholder returns.	The Company's strategy is formally reviewed by the Board at least annually, considering investment performance, shareholder views, developments in the marketplace and the structure of the Company. This strategy continues to be reviewed specifically in the light of the current Covid-19 pandemic. Investment performance is reviewed by the Board on a regular basis against RPI and the MSCI UK Index. The composition of the portfolio is provided at each Board meeting to allow monitoring of the spread of investments. Stock selection, portfolio composition and liquidity are explained in detail by the Investment Manager at each meeting. The Investment Manager is formally appraised at least annually by the Management Engagement Committee.

Strategic Review (continued)

Principal risks and uncertainties (continued)

Risk	Mitigation
Premium/discount level The Company's share price could be impacted by a range of factors causing it to be higher than (at a premium to) or lower than (at a discount to) the underlying NAV per share. Excessive demand for, or supply of, shares can create liquidity issues, restricting the ability of investors to buy and sell shares in the secondary market. Fluctuations in the share price can cause volatility which may not be reflective of the underlying investment portfolio.	The Company operates a discount/premium control policy ("DCP"), under which it will aim to purchase or issue shares to ensure, in normal market conditions, that the shares trade close to their underlying NAV per share. The DCP increases liquidity and reduces volatility by preventing the build up of excessive demand for the Company's shares which, the Board believes, is in the best interests of shareholders. The DCP continues to be reviewed to ensure liquidity for issuance and buyback, particularly in light of the Covid-19 pandemic, the effects of which may be far reaching over time. The levels of issuance/buyback of shares are reported to the Board on an ongoing basis and at each Board meeting the Board considers the Investment Manager's ability to invest new proceeds (in the case of issuance) and maintain sufficient liquidity (in the case of buybacks) to meet the demands of the DCP. The company secretary monitors the relevant authority levels, which are regularly reported to the Board, to maintain, as far as possible, uninterrupted operation of the DCP.
Operational The Company is reliant on third-party service providers including CGAM as Investment Manager, PATAC as company secretary and administrator and Northern Trust as custodian and key teams at such service providers. Failure of the internal control systems of these third-parties could result in inaccurate information being reported or risk to the Company's assets.	The Audit Committee formally reviews each service provider at least annually, considering their reports on internal controls and the resources available to them. The operational requirements of the Company, including from its service providers, have been subject to rigorous testing as to their application during the Covid-19 pandemic, where increased use of out of office working and online communication has been required. To date the operational arrangements have proven robust. Further details of the Company's internal control and risk management system is provided on page 30.
Regulatory The Company operates in a regulatory environment. Failure to comply with section 1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange.	Compliance with relevant regulations is monitored on an ongoing basis by the company secretary and Investment Manager who report regularly to the Board. The Board monitors changes in the regulatory environment and receives regulatory updates from the Investment Manager, company secretary, lawyers and auditors as relevant. The Board is being kept appraised of changes in the regulatory environment caused by the Covid-19 pandemic and has been able to put those into effect as required.
Financial and economic The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates and credit which could cause losses to the investment portfolio.	The Board regularly reviews and monitors the management of market risk, interest rate risk, foreign currency risk and credit risk. These are explained in detail in note 14 to the financial statements on pages 57 to 62. Brexit, and other political situations, are considered a component of market risk. The Company has sufficient cash resources and liquidity in its portfolio to meet its operating requirements, including the operation of DCP. In common with most commercial operations, there are always exogenous risks and consequences, such as health risk posed by Covid-19, which are difficult to predict and plan for in advance. The Company does what it can to address these risks when they emerge, not least operationally and in trying to meet its investment objectives.

Strategic Review (continued)

Employee, human rights, social and community issues

The Board recognises the requirement under the Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any policies it has in relation to these matters and their effectiveness. These requirements do not apply to the Company as it has no employees, all Directors are non-executive and it has outsourced all its functions to third-party providers.

Environmental, social and governance matters

The Board and the Investment Manager supports the UK Stewardship Code, issued by the FRC, which sets out the principles of effective stewardship by institutional investors. The Company aims to conduct itself responsibly, ethically and fairly and has sought to ensure that the Investment Manager's management of the portfolio of investments takes account of environmental, social and governance ("ESG") matters where appropriate.

The Company has limited direct impact on the environment as it invests primarily in government bonds and closed-ended and other collective investment vehicles. The investment sectors chosen do not generally raise ethical issues. A majority of the Company's assets are bonds issued by governments of countries which have, in the opinion of the Investment Manager, robust social institutions and good credit quality. These judgements are based on both qualitative and quantitative factors. Qualitative factors include respect for the rights of individuals and of property, free speech, lack of corruption, transparency and freedom of the press.

The balance of the investment portfolio comprises corporate bonds, preference shares and equity funds. Within these asset classes the Investment Manager does not directly invest into companies in the tobacco, defence or gambling sectors. However, via broad holdings of these collective equity funds, there will be small indirect holdings of companies that operate in these sectors. These holdings are not considered to be material in the context of overall assets managed. The Investment Manager monitors the ESG performance of its investee companies through review of annual reports and meetings with management personnel.

The Board monitors, through the Investment Manager, and is satisfied with the underlying investee companies' policies to act with due regard to community, welfare and environmental factors. The Investment Manager is a signatory to UN Principles of Responsible Investing. Further information on the Investment Manager's governance and policies can be found at www.cgasset.com/about-us/governance-and-policies.

In meeting its responsibilities to its own shareholders the Company aims to preserve value in its portfolio and liquidity in its shares. The Board is mindful of all of its stakeholders, including the employees of the agents who provide services to the Company and is operating to protect those interests in these challenging times.

Gender and diversity

The Board, which was recently engaged in succession planning, is focused on having an effective and operational Board which consists of experienced non-executive Directors who can function well together and have a good operational knowledge of the Company and the closed ended investment company sector more generally. Accordingly, the Board consists of four independent Directors in Jean Matterson, Robin Archibald, Wendy Colquhoun, Paul Yates and one non-independent Director in Alastair Laing.

The Board supports the principle of boardroom diversity in its broadest sense, in terms of gender, expertise, geographic background, age and race. The Company is specialised and the Board's priority is to have a relatively small and effective independent Board of non-executive Directors with the requisite abilities and experience to oversee the Company, its investments and its corporate structure, including its third party advisers. Any new appointee would make an appropriate contribution to those skills. It is the Board's policy to review its composition regularly and, when appropriate, to refresh the Board through recruitment, with the aim of having the blend of skills and attributes that will best serve shareholders in the future. Alastair Laing will stand down from the Board following the AGM, at which point the Board will comprise two male and two female Directors, all of whom are fully independent.

Bribery and corruption

The Company's policy in relation to bribery and corruption can be found in the Directors' Report on page 25.

Duty to promote the success of the Company (section 172 of the Companies Act)

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 of the Companies Act 2006 (the "Section 172 Statement"). This requires an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders in the Company and the impact of the Company's operations on the environment. Factored into this, has been how the Board has reacted to the Covid-19 pandemic since it emerged during the first quarter of 2020 and where protection of stakeholders' interests has been a prominent focus for the Board.

Strategic Review (continued)

Role of the Board

The Board currently comprises four independent and one non-independent non-executive Directors. It has a broad range of skills and experience across all major functions that affect the Company. The Board has responsibility for decisions relating to the Company's investment objectives and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's various service providers.

The Company's main stakeholders are Shareholders, the Investment Manager, and its service providers. The Company also engages with its investee companies where appropriate, particularly on performance and corporate governance issues.

How the Board engages with stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Investment Manager's interactions with them.

Stakeholder	How we engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholder's views and aims to act fairly between shareholders. The Company's shareholder register is retail investor dominated and has wealth managers and private client brokers on it representing private investors. The Investment Manager and Company's broker regularly meet with current and prospective shareholders to discuss performance. Members of the Board also met a number of shareholders during the year and remain available to talk directly with shareholders. Shareholder feedback is discussed by the Directors at Board meetings. The Board is kept appraised of changes to the share register and the Investment Manager is in contact with investor platforms to identify how best to communicate with the direct retail investor community. The operation of DCP is crucial to providing secondary market liquidity for investors. Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, company announcements, including daily net asset value announcements, and the Company's website. The Investment Manager prepares factsheets on a monthly basis and quarterly reports. The Investment Manager maintains a website which includes current information for investors. In normal circumstances, the Company's Annual General Meeting typically provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager. The Board encourages as many shareholders as possible to attend the Company's Annual General and to provide feedback on the Company. The Company Secretary also deals with regular shareholder queries on behalf of the Board.
Investment Manager	The Investment Manager's Report on pages 13 and 14 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the Company's mandate, with the oversight of the Board. The Investment Manager is represented and attends all formal Board Meetings, and will continue to do so even when Alastair Laing stands down from the Board following the AGM. The Board reviews regularly the Company's performance against its investment objectives and the application of its investment policy and restrictions. The Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objectives for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy in operation. The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager at least annually.
Service Providers	The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Investment Manager with regular communications and meetings. The Board have been supportive of the additional pressures the Covid-19 pandemic has brought on staff and processes. The most important relationship is with PATAC who provide company secretarial, administration and accounting services, as well operating the Company's DCP. The Board is in continued direct contact with PATAC. The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations and providing value for money.

Strategic Review (continued)

Specific examples of stakeholder consideration during the year

The Board has always been mindful of its responsibilities to the stakeholders of the Company, and this has been part of both scheduled board meetings and discussions between these meetings as required.

Since the Covid-19 pandemic emerged in early 2020, there has been increased interaction with the Investment Manager, the Company Secretary and other agents to the Company to ensure that the Company has sufficient resilience in its portfolio and in its operational structure to meet the challenging circumstances, which has proven to be the case.

During the year Jean Matterson and Paul Yates met a number of shareholders to gather views on the performance and general operation of the Company, including the DCP. This information was reported to the rest of the Board and is an important part of the annual strategic review on how the Company is operating.

The operation of the DCP is considered to be a fundamental part of the Company's operating structure, offering, as it does, liquidity in the secondary market close to the prevailing net asset value as a key benefit to existing investors through removal of pricing volatility around net asset value either when selling or buying shares in the Company. Ensuring that the DCP continues to operate effectively requires constant monitoring, maintaining the requisite authorities in place, and sustaining sufficient liquidity in the portfolio. The Board, together with PATAC, is responsible for maintaining the operational resilience for both buyback and issuance. The Company held a General Meeting on 6 April 2021 to request renewed shareholder authority to issue additional shares on a non pre-emptive basis. Shareholders were very supportive of the resolutions proposed both in the percentage voting in favour of the resolutions and the number of shares voted.

Management of the portfolio and agents to the Company

The Investment Manager's Report on pages 13 and 14 details the key investment decisions taken during the year, including meeting the challenges of the last quarter. The overall diversified shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objectives.

As explained in more detail on page 29, during the year, the Management Engagement Committee decided that the continuing appointment of the Investment Manager was in the best interests of shareholders. A similar conclusion was reached on the continued appointment of the Company's service providers and there were no changes during the year.

Share issuance

During the year the Company issued 102,300 Ordinary shares from treasury and 2,201,550 new Ordinary shares for an aggregate consideration of £105,222,000. The shares were issued to satisfy investor demand and were issued at a premium to the NAV thereby providing a small accretion to the NAV per share. All shares were issued in accordance with the DCP, which is detailed further on page 9. Since the year end, the Company has issued a further 904,850 new shares.

Directorate

The Board made progress with its succession plans during the year. The chair was handed over to Jean Matterson from Graham Meek on 3 July 2020. Graham Meek retired on 12 November 2020 and Wendy Colquhoun was appointed as an independent non-executive director on 5 January 2021. Alastair Laing will step down from the Board on 6 July 2021. Further details are provided in the Chairman's Statement. The Board believes that shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board with experienced candidates, whilst maintaining a small but focussed independent Board.

Investment Manager's Report

Review

The most significant asset allocation development in the year was an increase in the Risk Asset holdings from 36% to 48%. Whilst hardly momentous in itself, this change has resulted in the Company's highest Risk Asset weighting since 1992, so does warrant some explanation. Many of the purchases were made early in the financial year, deploying part but not all of the cash that the Company held prior to the pandemic. Had the equity market panic lasted longer we would have deployed even more into Risk Assets. Our rate of deployment was influenced by the Black Monday crash of October 1987, which seemed the most comparable bear market in terms of violence. After that episode equities remained depressed for 18 months. With hindsight this historical guide was too cautious as in 2020 investor sentiment swung from euphoria to panic and back to euphoria in little more than 6 months.

The main area of additions has been specialist property companies which make up 22% of the portfolio as at the year end. These holdings are focused on "beds and sheds" rather than conventional commercial or retail properties. UK examples include large positions built in student residential property through GCP Student Living plc and Empiric Student Property plc. Additions were also made in property companies specialising in long term inflation protected leases including Tritax Big Box plc and Secure Income REIT plc. These companies have all performed extremely well in challenging circumstances and remain, in our view, very attractively priced even after strong price rebounds. In Europe significant additions were made to holdings of German residential property, most notably Phoenix Spree Deutschland Ltd and Vonovia SE. Sentiment around these companies had been negatively impacted by political resistance to rising rents as well as the pandemic. Shortly after the year end, the German constitutional court ruled that a regional law freezing rents in Berlin was unconstitutional. This ruling has resulted in a positive rerating for the sector.

The strongest returns in the year were seen in the conventional equity holdings, which make up just under 20% of the total portfolio. The core investment company holdings in each of the US, Europe, UK and Asia Pacific all performed extremely strongly. The two core US holdings, Pershing Square Holdings Ltd and Gabelli Value Plus+ Trust plc, both returned in excess of 80%. In Continental Europe and the UK, Investor AB and North Atlantic Smaller Companies plc both returned in excess of 50%. In Asia Pacific, Weiss Korea Opportunity Fund plc returned over 100%. The recovery in equities has been so powerful that many of the newly added investment company holdings matured within the year, so have been reduced or exited completely.

As always we trod on a few banana skins, the most significant of which was KKV Secured Lending plc. During the height of the pandemic this direct loan fund traded down to huge discounts and we actively added to our position. It turned out that the discounts were illusory due to the exceptionally poor performance of the underlying portfolio. KKV Secured Lending plc is now in managed wind down and we have worked with other shareholders to replace the board of directors to ensure the asset recovery and return of capital is effectively overseen.

Our index-linked bonds, representing just under 30% of the portfolio, play an important role stabilising the portfolio volatility through their negative correlation to equities. During strong risk-on periods such as the last 12 months, negative correlation should mean negative returns and this proved to be the case. Collectively our index-linked bonds lost 6.5% of their value in large part due to currency effects. As sterling has strengthened over the year we have gradually invested more overseas. The portfolio started the year with 61% GBP weighting and ending the year with 51% (please note that these weightings are based on a look through basis and not the country of listing as shown in the table on page 15). Those overseas additions were spread evenly across USD, JPY and EUR denominated assets.

The other major category in the portfolio are the 'dry powder' assets – or highly liquid assets which we are readily able to deploy – constituting cash, treasury bills, short dated credit and preference shares, collectively representing 20% of the portfolio. With asset prices where they are today we are happy to retain these cash and cash equivalent holdings at an elevated level and wait for better opportunities to emerge in the future.

Outlook

The term "the Great Moderation" was popularised by Ben Bernanke to describe the twenty years following the mid-1980's. This period was characterised by the extending length of the business cycle and the absence of significant recessions. The last 12 months has seemed to us the opposite, a Great Acceleration, containing a recession of historical proportions and an astonishingly rapid rebound. The change in investor sentiment has been even more precipitate leaving equities, most notably in the US, at valuations that suggest moderate prospective returns. Valuations in UK equities look more attractive but it seems unlikely any regional market can deliver strong returns whilst a bubble in US equities deflates.

Investment Manager's Report (continued)

Outlook (continued)

Returns from conventional bonds seem certain to endure a poor decade. The pandemic response programmes have involved fiscal and monetary intervention on a mind blowing scale. There is no meaningful political constituency anywhere arguing for sustainable fiscal policies; austerity is dead. The demands to *build back better* and to fund green infrastructure will ensure vast government deficits for years to come. If bond holders try to push up yields to compensate for increased risks it seems likely central banks will cap the process by increasing their bond buying programmes. Over the last decade the primary objectives of central banks have migrated from inflation targeting to social and environmental goals. These broader societal goals are best advanced through monetising government deficit spending. This leaves resurgent inflation as the most likely mechanism by which conventional bond holders will see their savings eroded, and equity markets will be simultaneously undermined.

If these risks transpire then the returns on a conventional 60 : 40 (equity : bond) portfolio will significantly disappoint. That process will help to reduce the wealth inequalities that have become an increasingly prominent feature of western societies over recent decades. Whilst potentially desirable on a societal level, the aim of this Company is to protect its shareholders from this process. In our view a defensively oriented portfolio emphasising inflation protected bonds, broadly spread value-biased equities and some 'dry powder' set aside seems prudent positioning for an uncertain future. If we are in a Great Acceleration we will not need to wait long for the next chapter of this fascinating story to unfold.

Peter Spiller **Alastair Laing** **Christopher Clothier**

21 May 2021

Portfolio Analysis

Distribution of investment assets of £631,472,000 at 5 April 2021

	Currency Exposure						
	Sterling %	US Dollar %	Euro %	Swedish Krona %	Japanese Yen %	Other %	2021 Total %
Index-Linked Government Bonds	3.4	20.9	–	2.0	3.2	0.4	**29.9**
Conventional Government Bonds	6.2	–	–	–	–	–	**6.2**
Preference Shares/Corporate Debt	9.1	1.2	–	–	–	–	**10.3**
Funds/Equities	37.5	1.1	5.2	2.2	–	–	**46.0**
Cash	5.8	–	–	–	–	–	**5.8**
Gold	1.8	–	–	–	–	–	**1.8**
Total	63.8	23.2	5.2	4.2	3.2	0.4	**100.0**

Distribution of investment assets of £478,492,000 at 5 April 2020

	Currency Exposure						
	Sterling %	US Dollar %	Euro %	Swedish Krona %	Japanese Yen %	Other %	2020 Total %
Index-Linked Government Bonds	4.0	20.1	–	1.0	–	–	**25.1**
Conventional Government Bonds	18.8	–	–	–	–	–	**18.8**
Preference Shares/Corporate Debt	10.8	1.3	1.1	–	–	0.8	**14.0**
Funds/Equities	17.4	2.7	3.9	2.6	3.4	4.1	**34.1**
Cash	6.3	0.6	–	–	–	–	**6.9**
Gold	–	–	–	–	–	1.1	**1.1**
Total	57.3	24.7	5.0	3.6	3.4	6.0	**100.0**

Portfolio Investments

	2021 £'000	2020 £'000
Index-Linked Government Bonds		
Index Linked Bonds – United States	**131,754**	95,771
Index Linked Bonds – United Kingdom	**21,660**	19,262
Index Linked Bonds – Japan	**20,189**	–
Index Linked Bonds – Sweden	**12,737**	4,475
Index Linked Bonds – Australia	**2,500**	–
	188,840	119,508
Conventional Government Bonds		
Conventional Government Bond – United Kingdom	**38,997**	90,037
	38,997	90,037

Portfolio Investments

	2021 £'000	2020 £'000
Zero Dividend Preference Shares		
NB Private Equity 2022	**3,553**	3,289
Acorn Income Fund 2022	**2,455**	1,452
RM Secured Direct Lending 2021	**1,858**	984
JZ Capital Partners 2022	**1,647**	1,875
Polar Capital 2024	**1,348**	927
GLI Finance 2019	**1,125**	819
NB Private Equity Partners 2024	**1,110**	594
PMGR Securities 2025 PLC	**905**	–
Aberforth Split Level Income 2024	**831**	375
Investments with a market value below £500,000	**464**	413
Premier Energy & Water Trust 2020	**–**	1,237
Utilico Investments 2020	**–**	2,089
	15,296	14,054
Corporate Debt		
Pershing Square 5.5% 2022	**4,963**	4,519
Severn Trent 1.3% 2022	**3,407**	2,302
National Grid 1.25% 2021	**3,149**	2,203
Burford Capital 6.5% 2022	**3,060**	1,946
Aberdeen Asian Smaller Companies 2.25% 2025	**2,844**	1,393
Burford Capital 6.125% 2024	**2,751**	1,527
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	**2,518**	2,384
Places for People Capital Markets 1% 2022	**2,393**	1,761
Burford Capital 6.125% 2025	**2,371**	180
MPT Operating Partnership 2.55% 2023	**2,030**	732
Bruntwood Investments 6.0% 2025	**1,947**	1,916
A2D Fund 4.75% 2022	**1,627**	1,470
SSE Plc 4.25% 2021	**1,525**	1,033
National Grid 4.1875% 2022	**1,407**	891
Unite (USAF) 3.374% 2028	**1,386**	1,382
First Hydro 9% 2021	**1,280**	1,365
Burford Capital 5.0% 2026	**1,142**	525
London Stock Exchange Group 2.75% 2021	**1,049**	156
Easterm Power Networks 4.75% 2021	**1,021**	–
VW Financial Services 1.5% 2021	**1,000**	987
Home Group Zero Coupon Loan Stock 2027	**903**	889
Tesco 3.322% 2025	**854**	–
Northern Electric 8.061% Cum Pref Shares	**778**	597
Innogy Finance 6.5% 2021	**752**	784
Investments with a market value below £500,000	**3,621**	4,661
Aqiva Funding 4.04% 2035	**–**	1,037
Assura 4.25% 2021	**–**	988
Birmingham Airport (Finance) 6.25% 2021	**–**	1,038
General Electrics 6.25% 2020	**–**	1,022
Heathrow Funding 9.2% 2021	**–**	1,328
Juneau Investments 5.9% 2021	**–**	1,671
Kreditanstalt Fuer Wiederaufbau 1.375% 2021	**–**	2,016
Porterbrook Rail Finance 6.5% 2020	**–**	1,207
SGSP (Australia) Assets 5.125% 2021	**–**	514
Southern Gas Network 4.875% 2020	**–**	766
Southern Water Services 5.0% 2021	**–**	1,445
Sydney Airport Finance Company 3.76% 2020	**–**	1,181
Tesco Personal Finance 5.0% 2020	**–**	1,543
Thames Water Utilities Finance 5.05% 2020	**–**	1,008
The Great Rolling Stock 6.25% 2020	**–**	760
	49,778	53,127

Portfolio Investments (continued)

	2021 £'000	2020 £'000
Funds/Equities		
Vanguard FTSE Japan UCITS ETF	**29,863**	16,160
Vonovia	**19,461**	8,116
Secure Income REIT	**13,395**	2,461
North Atlantic Smaller Companies	**13,260**	7,530
Grainger	**12,485**	5,829
Vanguard FTSE 100 UCITS ETF	**12,326**	7,013
iShares Core FTSE 100 ETF	**10,320**	14,673
GCP Student Living	**9,845**	883
Tritax Big Box REIT	**6,910**	5,471
Phoenix Spree Deutschland	**6,445**	2,690
Tritax Eurobox	**6,168**	1,763
Vanguard FTSE 250 UCITS ETF	**5,580**	4,726
Investor AB	**5,549**	5,720
Target Healthcare REIT	**5,538**	1,141
Empiric Student Property	**5,463**	2,620
Civitas Social Housing	**5,366**	4,835
Gabelli Value Plus Trust	**5,252**	–
Leg Immobilien	**5,029**	1,048
Residential Secure Income	**4,922**	4,165
PRS REIT	**4,807**	2,453
Greencoat UK Wind	**4,104**	185
Oryx International Growth Fund	**3,835**	1,756
Weiss Korea Oportunity Fund	**3,720**	987
Castellum	**3,681**	4,294
JP Morgan Multi Asset	**3,305**	919
GCP Infrastructure Investments	**3,278**	–
Supermarket Income REIT	**3,268**	–
Kungsleden	**2,688**	1,425
ADO Properties	**2,591**	–
Triple Point Social Housing REIT	**2,565**	1,868
Jupiter Emerging & Frontier Income	**2,480**	–
BMO Global Smaller Companies	**2,438**	341
Pershing Square	**2,384**	5,961
RIT Capital Partners	**2,335**	–
Deutsche Wohnen	**2,288**	1,212
Urban Logistics REIT	**2,281**	–
LXI REIT	**2,242**	722
Aberdeen Standard European Logistics Income	**2,170**	–
Biopharma Credit	**1,976**	–
Nextenergy Solar Fund	**1,947**	–
CLS Holdings	**1,928**	1,220
Impact Healthcare REIT	**1,907**	–
Grand City Properties	**1,879**	773
SQN Asset Finance C Shares	**1,868**	2,431
Miton UK Microcap Trust	**1,793**	25
Ground Rents Income Fund	**1,754**	1,703
Atrium Ljungberg AB	**1,686**	720
International Public Partnerships	**1,666**	1,318
Aquila Renewables	**1,636**	1,618
ICG-Longbow Senior Secured UK Property Debt	**1,635**	–
Aberdeen Diversified Income & Growth Trust	**1,622**	277
Sequoia Economic Infrastructure Income Fund	**1,602**	–
Witan Investment Trust	**1,498**	117
Cordiant Digital Infrastructure	**1,452**	–
Warehouse REIT	**1,407**	–
RM Secured Direct Lending	**1,359**	890

Portfolio Investments (continued)

	2021 £'000	2020 £'000
Funds/Equities *(continued)*		
Polar Capital Global Healthcare	**1,319**	39
NB Global Monthly Income	**1,283**	–
Vanguard FTSE Devleoped Europe ETF	**1,312**	2,078
North American Income Trust	**1,240**	–
Crystal Amber Fund	**1,193**	596
Raven Property Group Preference Share	**1,169**	–
SQN Asset Finance Income Fund	**1,166**	1,666
JPEL Private Equity USD	**1,156**	538
F&C Investment Trust	**1,014**	–
Downing Renewables & Infrastructure Trust	**931**	–
Honeycomb Investment Trust	**744**	851
Equity Residential Properties	**727**	–
JPMorgan European Income	**710**	–
SDCL Energy Efficiency Income Trust	**672**	1,350
SME Loan Fund	**670**	829
HG Capital Trust	**660**	–
Vanguard FTSE Emerging Markets UCITS ETF	**619**	1,954
Securities Trust of Scotland	**514**	–
Investments with a market value below £500,000	**2,837**	3,886
Adler Real Estate	**–**	767
BH Global GBP	**–**	846
Hadrians Wall Secured Investments	**–**	2,431
HICL Infrastructure	**–**	839
Polar Capital Global Financials	**–**	1,589
Pollen Street	**–**	582
Raven Property Group	**–**	1,440
Unite Group	**–**	540
Vanguard FTSE Developed Asia Pacific ex-Japan UCITS ETF	**–**	750
Vanguard S&P 500 UCITS ETF	**–**	5,396
Witan Pacific Investment Trust	**–**	3,650
	290,188	162,676
Gold		
Wisdomtree Physical Swiss Gold	**11,131**	5,449
	11,131	5,449
Total investments	**594,230**	444,851
Cash	**37,242**	33,641
Total	**631,472**	478,492

The full portfolio listing of the Company as at 5 April 2021 is published on its website at www.capitalgearingtrust.com.

The Board's Strategic Report, contained on pages 4 to 18, has been approved by the Board and signed on its behalf by:

Jean Matterson

Chairman

21 May 2021

Board, Management and Administration

The Board are all experienced Directors and are working closely with PATAC and CGAM in the day to day operations of the Company. Alastair Laing, as CEO of CGAM, is non-independent and does not receive any remuneration for his services to the Board. Apart from the scheduled board meetings, the Board is in regular contact on matters arising and all of the Board have demonstrated sufficient commitment and experience to acquit their responsibilities.

Non-executive Directors

Jean Matterson (Chairman)

Appointed a Director in May 2015 and assumed the position of Chair following the Annual General Meeting on 3 July 2020. Jean until 2020, was partner of Rossie House Investment Management in Edinburgh which specialises in private client portfolio management with particular emphasis on investment trusts. She was previously with Stewart Ivory & Co Ltd for 20 years, as an Investment Manager and director. She is a director of Herald Investment Management Limited and HIML Holdings Limited.

Alastair Laing

Appointed a Director in November 2013. Alastair joined CG Asset Management Limited in 2011 and has been co-manager of the Company since that time. Alastair joined CG Asset Management Limited from Hg Capital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. He was educated at Edinburgh University and was an MBA Scholar at London Business School. He is a member of the Institute of Chartered Accountants of Scotland.

Robin Archibald (Chairman of the Audit Committee/Senior Independent Director)

Appointed a Director in May 2015 and as Audit Chair in July 2019. Robin was formerly head of corporate finance and broking at Winterflood Investment Trusts until April 2014. He qualified as a chartered accountant in 1983 and subsequently worked with Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and as partner and corporate financier with the corporate finance division of a Scottish accountancy firm. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector. He is a non-executive director and audit chair of Shires Income plc, senior independent director and audit chair of Ediston Property Investment Company plc and Albion Technology and General VCT plc and senior independent director of Henderson European Focus Trust plc.

Wendy Colquhoun

Appointed in January 2021. Until May 2020, Wendy was a senior corporate partner at international law firm CMS Cameron McKenna Nabarro Olswang LLP where she specialised in financial services. She has over 25 years of experience in providing advice to investment trusts. After qualifying as a solicitor in 1987, Wendy held roles with Dickson Minto WS and Linklaters before heading up the UK corporate group at Dundas & Wilson (a leading Scottish law firm) prior to its merger with CMS Cameron McKenna in 2014. She is a non-executive director and chair of Henderson Opportunities Trust plc, a non-executive director of Schroder UK Mid Cap Fund plc and a trustee of the Stewart Ivory Financial Education Trust. Until February 2021 she was also a non-executive director and chair of the risk and governance committee of Scottish Financial Enterprise.

Paul Yates

Appointed a Director in December 2019. Paul is chairman of the advisory board of 33 St James's Limited and is a non-executive director of Fidelity European Trust PLC and Witan Investment Trust PLC. His extensive career in investment management began at Samuel Montagu & Co in 1980. He joined Phillips and Drew in 1985, being the year that it was acquired by UBS. During his time at UBS he held a number of positions covering management, portfolio management, pensions, strategy and client service. He was CEO of UBS Global Asset Management (UK) Limited between 2001 and 2005 and, after undertaking a number of global roles at UBS, he retired in 2007.

Board, Management and Administration (continued)

Investment Manager

CG Asset Management Limited
25 Moorgate, London EC2R 6AY
Telephone: 020 7131 4987

Established in 2000. The company currently has total funds under management of £3.5 billion.

Depositary, Custodian and Banker

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

Company Secretary and Administrator

PATAC Limited
28 Walker Street, Edinburgh EH3 7HR
E-mail: company.secretary@capitalgearingtrust.com
Telephone: 0131 378 0500

Registered office

Carson McDowell LLP
Murray House, Murray Street, Belfast BT1 6DN

Registered number

NI005574

AIC

Association of Investment Companies
www.theaic.co.uk

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS13 8AE
Telephone: 0370 873 5864

Independent auditors

BDO LLP
55 Baker Street, London W1U 7EU

Corporate stockbroker

JP Morgan Cazenove
25 Bank Street, Canary Wharf, London E14 5JP

Directors' Report

The Directors present the annual report and financial statements of Capital Gearing Trust P.l.c. for the year ended 5 April 2021.

Company status

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust, approved as such by HM Revenue and Customs, in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 (the "CT Act"). This legislation provides conditions that the Company must meet in respect of each accounting period for which it seeks to be classified as an investment trust. The Company will continue to conduct its affairs as an investment trust. The Company does not fall within the definition of a 'close company' under the CT Act.

Revenue and dividend

The net return attributable to ordinary shareholders for the financial year was £6,330,000 (2020: £5,849,000).

The Company does not aim to invest for income to support any target dividend payment, and dividend payments are affected by the requirement to distribute a certain level of income to maintain investment trust status.

The Board recommends the payment of a dividend of 45p per Ordinary share for the year ended 5 April 2021, (2020: 42p) for approval by shareholders at the forthcoming Annual General Meeting. The dividend will be payable on 16 July 2021 to shareholders on the register of members on 11 June 2021, the associated ex-dividend date being 10 June 2021. Final dividends should not be accrued in the financial statements under FRS 102 unless they are approved by shareholders before the balance sheet date. As such, the amount recognised in the 2021 financial statements comprises the 2020 final dividend.

Net asset value per Ordinary share

The net assets per Ordinary share of the Company as at 5 April 2021 was 4,590.2p, compared with 4,084.2p as at 5 April 2020.

Share capital

The Company's share capital comprises Ordinary shares of 25p each nominal value. The voting rights of the Ordinary shares on a poll are one vote for each share held. As at 5 April 2021, 13,813,113 Ordinary shares were in issue (2020: 11,509,263) and no shares were held in treasury (2020: 102,300).

There are no:

a) restrictions on transfer of or in respect of the voting rights of the Company's shares;

b) agreements, known to the Company, between holders of securities regarding the transfer of such shares; or

c) special rights with regard to control of the Company attaching to any such shares.

As at the date of this report the issued share capital consisted of 14,717,963 Ordinary shares and no shares were held in treasury. Whilst shares are held in treasury no dividends are paid on them and they have no voting rights.

Management and contracts

Investment Manager

The Company's investments are managed by CG Asset Management Limited ("CGAM") under an agreement dated 10 November 2017. Under this agreement, CGAM receives an annual investment management fee of 0.60% of the net assets of the Company up to £120m, 0.45% of net assets above £120m up to £500m, and 0.30% thereafter, based on quarterly valuations and payable quarterly in arrears. The agreement is terminable on six months' notice, and in the event of termination otherwise than at the end of a quarter, the Company shall pay to CGAM a due proportion of the fee for the period ended on the termination of the agreement, calculated by reference to the net assets of the Company as at the date of termination. No other compensation would arise in the event of termination.

CGAM were appointed as the Company's AIFM in November 2017. There was no alteration to the fee payable to CGAM as a result of this appointment nor was there as a result of CGAM becoming a full scope AIFM in February 2020.

The Investment Manager operates under the investment policy and guidelines drawn up by the Board as detailed on page 7. Any proposed deviation from these guidelines is required to be discussed with and agreed by the Board or by the Chairman where authority is required between Board meetings. In addition, the Investment Manager presents a report at each Board meeting detailing compliance with the policy during the preceding quarter and outlining any instances where approval for investment decisions was sought from either the Board or the Chairman.

The Investment Manager also provides marketing and investor relation services under the investment management agreement.

Directors' Report (continued)

Management and contracts (continued)

Performance, evaluation and the continuing appointment of the Investment Manager

The Directors held detailed reviews into the investment strategy adopted by the Investment Manager at the Committee meeting on 7 May 2021. The performance of the Investment Manager during the year and the contractual arrangements with the Investment Manager were discussed at the meeting. Mr Laing, as a director of the Investment Manager, was not present during the course of the discussion.

In reviewing the Investment Manager's performance, the Directors consider the following:

- adherence to the pre-agreed investment policy and guidelines as prescribed by the Board;
- whether the strategy adopted by the Investment Manager has been and continues to be consistent with the Company's aims;
- the asset value performance achieved in the year under review as well as over the longer term and whether this satisfies the investment objectives as communicated to shareholders;
- performance comparison to a selected peer group; and
- compliance and administration competence.

Based on investment performance over the year, the independent Directors concluded that the continuing appointment of the Investment Manager on the existing terms is in the best interests of the shareholders as a whole.

Company secretarial, administrative and accounting services

PATAC Limited ("PATAC") was appointed by the Company in 2015 to provide company secretarial, administrative and accounting services. PATAC also provides discount and premium control services to the Company. This agreement may be terminated on three months' notice. PATAC is entitled to receive a fixed fee of £152,291 per annum payable quarterly in arrears (2020: £150,000). The fee is adjusted annually by the increase in the Consumer Price Index. In addition, in respect of its services in connection with the operation of the Company's discount and premium control policy, PATAC is entitled to a fee of £30,000 per annum plus a variable commission of 0.1% of the aggregate consideration received or paid in respect of any Ordinary shares issued or bought back over the period. These fees amounted to £135,356 (2020: £202,782).

Depositary and Custodian

The Northern Trust Company ("Northern Trust") was appointed in 2011 to provide custodial services for the portfolio and subsequently appointed to act as depositary on 20 December 2019 to fulfil the requirements of the AIFMD. Pursuant to the terms of this agreement, Northern Trust receives a depositary fee which is based on the net asset value of the Company, subject to a minimum of £50,000 per annum, and safe-keeping and transaction fees which vary by market. Termination of the depositary and custody agreement requires six month's written notice.

Details of the fees paid during the year, including those paid to Northern Trust and PATAC are recorded in note 4 of the financial statements on page 53.

Creditor payment policy

It is the Company's payment policy to obtain the best possible terms for all business. Whilst following no formal policy, the Company settles all its investment transactions within the time frames indicated in the markets in which it operates, generally within one week of the transaction. Other expenses are paid within 30 days in the normal course of business or under agreed terms with suppliers.

Going concern

The Company's investment objectives and business activities, together with the main trends and factors likely to affect its future development and performance, are described in The Board's Strategic Report. The financial position of the Company, including its cash flows and liquidity positions, is also described in the Strategic Report and financial statements. Note 14 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to market price, interest rates, foreign currency, credit and liquidity risk. Since the advent of the Covid pandemic, the Board has worked closely with the Investment Manager and the Company Secretary to ensure that the Company's operations are resilient, and the portfolio is robust to meet challenges and opportunities. The Directors believe that the Company is well placed to manage its business risks successfully and consider that the Company currently has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence, including meeting the provisions of the DCP. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements. The Directors do not consider that there are any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of these financial statements.

Directors' Report (continued)

Viability statement

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a risk map of the risks facing the Company and has put in place appropriate processes and controls in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to manage these, are detailed on pages 8 and 9.

The Company is a long-term investor and the Board believes it is appropriate to assess the Company's viability over a three year period in recognition of the Investment Manager's long-term horizon and also what the Directors believe to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties.

The Directors also took into account the liquidity of the portfolio when considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due and the ongoing operation of the DCP.

The Directors do not expect there to be any significant change in the principal risks that have been identified and the adequacy of the controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. The Directors believe that only a dramatic deterioration in circumstances in the financial and other crises besetting global markets could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Post Balance Sheet Events

Since 5 April 2021, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

Political and charitable contributions

No contributions were made during the year for political or charitable purposes (2020: nil).

Greenhouse gas emissions

As the Board has engaged external firms to undertake the investment management, secretarial and custodial activities of the Company, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Streamlined Energy and Carbon Reporting also applies to all large companies. However, as the Company does not consume more than 40,000 kWh of energy during the past year, it qualifies as a low energy user and is exempt from reporting under these regulations.

Whistleblowing policy

As the Company has neither executive Directors nor employees, a formal whistleblowing policy has not been adopted. However, the Board has agreed a procedure by means of which any Directors or employees of external service providers can bring to the attention of the Chairman or Senior Independent Director matters of concern to them. No matters of concern have been raised during the year to 5 April 2021.

Directors' indemnity

The Company maintains Directors' and officers' liability insurance in place for all Directors, which is reviewed periodically. Subject to the provisions of UK legislation, the Company's Articles of Association (the "Articles") provide the Directors with a qualifying third-party indemnity provision against costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the courts. The qualifying third-party indemnity provision was in force throughout the financial year and at the date of approval of the annual report. No claims have been brought against the Company or the Directors.

Conflicts of interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. Appropriate authorisation is sought prior to the appointment of any new Director or if any new conflicts or potential conflicts arise.

Directors' Report (continued)

Directors

The Directors of the Company who held office at 5 April 2021 and at the date of approval of this report are set out on page 19, together with their biographies. Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report on page 38.

Retirement and re-election of Directors

In accordance with the AIC Code, all Directors offer themselves for re-election at the forthcoming AGM and on an annual basis going forward.

After due consideration of the results of the performance evaluation, the Board confirms that the performance of each Director continues to be effective and demonstrate commitment to their role, including the necessary commitment of time for Board and Committee meetings and other duties as required. The Board believes that the re-election of all Directors is in the best interests of the Company and its shareholders.

Directors' meeting attendance

The number of formal meetings held during the year from 6 April 2020 to 5 April 2021 and the Directors' attendance is detailed below.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Miss J G K Matterson	5/5	3/3	1/1	1/1
Mr E G Meek (retired) 12 November 2020)	4/4	2/2	1/1	N/A
Mr A L Laing	5/5	3/3	N/A	N/A
Mr R Archibald	5/5	3/3	1/1	1/1
Ms W M Colquhoun (appointed 5 January 2021)	1/1	1/1	N/A	N/A
Mr P T Yates	5/5	3/3	1/1	1/1

Due to Covid-19 restrictions, regarding attendance, only Messrs Yates and Laing attended the 2020 AGM in person.

Apart from regular Board meetings, members of the Board attended a number of ad hoc committee meetings during the year, for strategic discussions and continued implementation of the discount/premium control policy. During the year the Board has met on several occasions informally to review and discuss the Company's resilience in the light of the Covid-19 pandemic.

Substantial shareholders

During the year to 5 April 2021, the Company received notification of interest in the Company's shares from LGT Vestra. These interests together with any non-discretionary holdings are included in the following table.

At 5 April 2021, persons with a significant direct or indirect holding of shares in the Company were as follows:

Name	Issued share capital held
LGT Vestra	7.1%
R P A Spiller	2.9%

Since 5 April 2021 to the date of this report, the Company has not been informed of any change in its notifiable Ordinary share holdings.

Other statutory information

The following information is disclosed in accordance with the Companies Act 2006:

- The rules on the appointment and replacement of the Directors are set out in the Articles. Any change to the Articles would be governed by the Companies Act 2006;
- Subject to the provisions of the Companies Act 2006, the Articles, and any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special power given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors. The Directors' powers to issue and buy back shares, in force at the year end, are recorded on pages 25 and 26; and
- There are no agreements:
  - (i) to which the Company is a party that might affect its control following a takeover bid; and/or
  - (ii) between the Company and its Directors concerning compensation for loss of office.

Corporate governance

Full details are given in the Corporate Governance Statement on pages 28 to 31. The Corporate Governance Statement forms part of this Directors' Report.

Directors' Report (continued)

Bribery Act 2010

The Company has zero tolerance towards bribery and is committed to carrying out business fairly, honestly and openly. The Investment Manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Annual General Meeting (the "AGM")

The AGM of the Company will be held on 6 July 2021 at 11.00 a.m. at the offices of Smith & Williamson Investment Management Limited, 25 Moorgate, London EC2R 6AY. The formal notice of such is set out on pages 63 to 65.

As a result of the Covid-19 pandemic and the imposition of measures to control the spread of the virus by the UK Government, attendance at the AGM may not be possible. Shareholders are strongly advised to appoint the Chairman of the meeting to vote on their behalf by completing and returning their form of proxy. The safety of shareholders is of great importance and the Company may, in accordance with the Articles of Association, impose entry restrictions to the AGM.

Shareholders are encouraged to submit questions to the Board using the email address company.secretary@capitalgearingtrust.com by Thursday, 1 July 2021. The proxy voting results, answers to any questions raised ahead of the AGM and the presentation from the Investment Manager will be made available on the Company's website following the AGM.

There are fifteen resolutions being proposed at the AGM, eleven of which are ordinary resolutions, two of which are being considered as special business, and four (resolutions 12 to 15) are special resolutions. Resolutions 1 to 3 concern the receiving of the accounts, approving the directors' remuneration report, and approving the final dividend of 45p per share. Resolutions 4 to 6 are for the re-election of existing directors, resolution 7 is for the election of Wendy Colquhoun as a director following her appointment to the Board this year. Resolution 8 is for the re-appointment of BDO as auditors and resolution 9 is to authorise the directors to determine their remuneration.

Additional information on resolutions relating to special business is detailed below:

Resolution 10 – Proposed investment objective and policy

As noted in the Chairman's Statement, during the year the Board and the Investment Manager undertook a review of the Company's objectives and investment policy. This was with a view to clarifying the existing wording and did not involve any substantive change. This review focused on ensuring the types of investment that the Investment Manager may seek to acquire in pursuit of the investment objectives are permitted as well as that the objectives and policy were clear and understandable for shareholders and investors. There is no material change proposed to the way in which the investments are managed by the Investment Manager or the investments that are included within the portfolio.

However, given the scale of changes in text, it was decided that the revised objective and policy should be put to shareholders for approval. The changes have also been approved by the FCA. Resolution 11 seeks the required shareholder approval for the reworded investment objective and policy which follows.

Objective

The Company's objective is to preserve, and over time to grow shareholders' real wealth.

Investment policy

As preserving shareholders' real wealth is core to the investment objective, greater emphasis is placed on avoiding loss than maximising returns. Achieving the investment objective implies returns at least in line with inflation over the short term and significantly ahead of inflation over the long term.

The Company does not have a formal benchmark but reports against the UK Retail Price Index (a measure of inflation) and the MSCI UK Equity Index. The Company does not have a target dividend payment. It is anticipated that capital return is likely to be the larger component of the returns.

The Investment Manager has the authority to invest in equities, bonds, commodities and cash. Equity investments are typically in listed collective investment vehicles, including investment trusts, ETFs, investment holding companies and property companies.

Asset allocation is flexible, and responds to changes in asset values and to the macro-economic environment. A broad mix of assets will be maintained, with a maximum equity exposure of 80% and a minimum of 20%. The Investment Manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure.

Directors' Report (continued)

Annual General Meeting (the "AGM") (continued)

The Company will not invest more than 15% of its investment portfolio in any single security. The Investment Manager is not permitted to invest in derivatives (such as options, swaps or forward contracts) without prior Board approval. Investments in other funds managed by the Investment Manager also requires Board approval.

The Company has the authority to borrow up to 20% of net assets, subject to prior Board approval.

Resolutions 11 and 12 – Directors' authority to allot shares and disapply pre-emption rights

At the AGM held on 3 July 2020 (the "2020 AGM"), the Directors were given the authority until the date of the following AGM to allot up to 3,889,854 Ordinary shares and to disapply pre-emption rights in respect of up to 2,333,912 of these shares. At a general meeting held on 6 April 2021 the Directors were given further authority to allot up to 1,356,084 Ordinary shares on a non pre-emptive basis. Details of the shares issued under these authorities can be found in note 11 on page 56.

At this year's AGM, the Directors are seeking authority to allot up to 4,905,987 Ordinary shares, in aggregate a nominal value of £1,226,496.75, representing one third of the issued share capital as at 20 May 2021. The Directors are also seeking to disapply pre-emption rights in respect of the allotment of up to 20% of the issued share capital of the Company, (equivalent to 2,943,592 Ordinary shares at 20 May 2021 with an aggregate nominal value of £735,898.00), including any shares which have been bought back as treasury shares.

The Board recognises institutional investor guidelines which state that non pre-emptive issues should be limited to a maximum of 20% for investment companies. However, the Board believe the that the continued operation of the DCP in a cost effective manner is in the best interest of shareholders.

Resolution 13 – Authority to make market purchases of the Company's shares

At the 2020 AGM, the Directors were given the authority until the date of the following AGM to buy back up to 1,749,267 Ordinary shares (14.99% of the issued share capital at the date of the 2020 AGM). There have been no shares bought back under these authorities.

At this year's AGM, the Directors are seeking authority to buy back up to 2,206,222 Ordinary shares (14.99% of the issued share capital as at 20 May 2021) for cancellation or holding up to 10% in treasury for re-sale into the market during more favourable market conditions at values equal or at a premium to NAV.

If approved, the powers, as detailed above under Resolutions 11 to 13 and in the formal notice of the AGM, will expire at the AGM to be held in 2022 unless previously renewed, varied or revoked by the Company in general meeting. These powers will be exercised only if the Board is of the opinion that it would result in an enhancement to the NAV per share of the Company and therefore have a positive effect on shareholder funds. The ability to buy back shares is an important part of the operation of the DCP, if and when required.

Resolution 14 – Articles of Association

The Board is seeking authority to amend the Articles of Association which were last amended in 2015. The amendments proposed bring a number of provisions in the Articles of Association into line with market practice. In particular, one amendment allows for the calling of 'hybrid' meetings to allow members to attend and participate in the business of the meeting (including future annual general meetings) by attending a physical location or by attending remotely by means of an electronic facility. This amendment is proposed to allow greater flexibility to align with technological advances, changes in investor sentiment and evolving best practice, particularly in light of the outbreak of Covid-19. While the new Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intentions of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the new Articles will prevent the Company holding physical shareholder meetings.

The current Articles also provide that Directors' fees shall not exceed £150,000 per annum in aggregate. Although there are currently no plans to make any significant changes to the fees paid to the Non-Executive Directors, the Board considers it desirable to increase the fee limit contained in the New Articles in order to provide flexibility. It is proposed that the limit contained in the new Articles is £165,000 per annum in aggregate. Directors' remuneration will continue to be paid in accordance with the Directors' Remuneration Policy most recently approved by shareholders.

Directors' Report (continued)

Annual General Meeting (the "AGM") (continued)

The Board is also taking the opportunity to make some additional minor or technical amendments to the current Articles, including for example: (i) dispensing with the need for the Company to use newspaper adverts to trace members or in the event the Board wished to postpone a general meeting; (ii) clarifying the Director's current periodic retirement procedure and the procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; and (iii) allowing the Company to pay dividends exclusively through bank transfers instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder. These changes together with certain other minor amendments being introduced reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

A copy of the new Articles, together with a version marked to show all changes proposed to the existing Articles of Association, will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto, Broadgate Tower, 20 Primrose Street London EC2A 2EW, up until the close of the AGM and they are also available at www.capitalgearingtrust.com . A copy of the new Articles can also be requested from the Company Secretary.

Resolution 15 – Notice of general meetings

At the 2020 AGM, a resolution was passed to allow the Company to call a general meeting other than an AGM on at least 14 clear days' notice. Such shareholder authority must be renewed annually, and must exclude AGMs, which can only be held on 21 clear days' notice. Without such shareholder authority, all general meetings need 21 clear days' notice.

The Board considers it prudent to retain the ability to call general meetings other than AGMs on the shorter notice period of 14 clear days, and this resolution seeks such approval from shareholders.

Recommendation

The Directors consider that all the resolutions detailed in the formal notice of the AGM are in the best interests of the Company and the shareholders taken as a whole and therefore unanimously recommend to shareholders that they vote in favour of each resolution, as the Directors intend to in respect of their own holdings.

Statutory auditor

The Audit Committee is satisfied that BDO is independent of the Company and, as mentioned above, a resolution to re-appoint BDO as the Company's auditors will be put to shareholders at the forthcoming AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 19. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

PATAC Limited
Company Secretary
21 May 2021

Corporate Governance Statement

The Board has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code is endorsed by the Financial Reporting Council and adapts the principles and provisions set out in the UK Corporate Governance Code to make them relevant to investment companies.

The Board believes that the AIC Code, which incorporates the UK Corporate Governance Code, provides the most appropriate governance framework for the Company. Accordingly, the Company reports against the principles and provisions of the AIC Code as the Board believes this should provide more relevant information to shareholders. The 2019 edition of the AIC Code is applicable to the year under review and can be found at www.theaic.co.uk.

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

Application of the AIC Code

Operation of the Board

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings, including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

It has delegated investment management, within clearly defined parameters and dealing limits, to CG Asset Management ("CGAM", or the "Investment Manager") and the company secretarial and administration functions have been delegated to PATAC Limited ("PATAC", or the "Company Secretary"). The Board reviews the performance of the Company at Board meetings and sets the objectives for the Investment Manager.

The Company Secretary is responsible to the Board, inter alia, for ensuring that Board procedures are followed and for compliance with applicable rules and regulations including the AIC Code.

The Board believes that the content and presentation of Board papers circulated before each meeting contain sufficient information concerning the financial condition of the Company. Key representatives of CGAM attend each Board meeting enabling Directors to probe on matters of concern or seek clarification on certain issues.

Biographies of those Directors in office at the date of signing of the financial statements are set out on page 19.

Audit Committee

The Audit Committee is a formally constituted Committee of the Board with defined terms of reference. Its role and responsibilities are set out in the Report of the Audit Committee on page 32. The Board is satisfied that members of the Audit Committee have relevant and recent financial experience to fulfil their role effectively and also have sufficient experience relevant to the closed ended investment company sector and UK listed companies. The auditor, who the Board has identified as being independent, is invited to attend the Audit Committee meeting at which the annual accounts are considered and any other meetings that the Committee deems necessary. The Committee is chaired by Robin Archibald.

Nomination Committee

A Nomination Committee, comprising all the independent Directors, oversees the annual appraisal of the Board members, including the chair, to assess whether individual Board members should be nominated for re-election each year, evaluates the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge on the Board and considers succession planning accordingly. This Committee is chaired by Jean Matterson.

During the year the Board appointed Wendy Colquhoun as a non-executive Director. The search for a new independent director began by appointing Fletcher Jones, an independent external search agency, in order to recruit from a wide talent pool. A short list was agreed to interview a number of candidates. Following the extensive review and interview process the Board was pleased to proceed with the appointment of Wendy Colquhoun as the candidate best qualified to complement the existing balance of skills and experience of the Board. Wendy Colquhoun will stand for election at the AGM.

Corporate Governance Statement (continued)

The Committee is also responsible for assessing on an annual basis, using appraisal forms and reviews by the Chair, the performance of Directors and for making recommendations as to whether they should remain in office and be put forward for election or re-election at the AGM. The senior independent director is responsible for the appraisal of the Chair.

Management Engagement Committee

A Management Engagement Committee comprises all the independent Directors of the Company and is chaired by Paul Yates. The Committee meets at least once a year to consider the performance and remuneration of the Investment Manager and to review the terms of the investment management contract. The Management Engagement Committee also reviews the terms and performance of the other key service suppliers to the Company on an annual basis, including the costs of these services and how effective they have been during the year.

Independence of the Directors

With the exception of Mr Laing, each of the Directors is independent of any association with the Investment Manager and has no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement on the affairs of the Company. The Board is firmly of the view that all of the Directors, save for Mr Laing, can be considered to be independent. In arriving at this conclusion the Board makes a clear distinction between the activities of an investment trust and a conventional trading company. An investment trust has no employees or executive Directors, the most significant relationship being with the Investment Manager. In overseeing this relationship it is the view of the Board that long service can aid the understanding and judgement of the Directors. The Directors have a range of business and financial skills and experience relevant to the direction of the Company. Robin Archibald is currently the Senior Independent Director, having been appointed to this role in January 2020. Mr Archibald has significant direct corporate and market experience of investment companies and of acting as a senior independent director, non-executive director and audit chair for other investment companies.

Director tenure

In accordance with the AIC Code all Directors are subject to annual re-election. Board support for re-election is based on the outcome of an annual performance evaluation. The Chair also speaks with each director individually. The performance of each Director and nominations for re-election are then discussed by the Board as a whole.

The Board's view is that length of tenure is not necessarily an issue, rather the Director's contribution, their ability and assertion of their authority are important factors in determining the value the individual brings to the Board. The Directors are conscious of the benefits of continuity on the Board and believe that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to the Company. Moreover, long-serving Directors are less likely to take a short-term view. The Chairman and Directors would generally be expected to serve a term of nine years. However, certain circumstances, such as significant corporate change and maintaining cohesion, may require continuity from the members of a small and engaged board and this term would be adjusted accordingly.

Director remuneration

The Company's policy on Director remuneration is set out within the Directors' Remuneration Report on pages 36 to 39.

Diversity

The Nomination Committee considers diversity, including the balance of skills, knowledge, gender, social and ethnic backgrounds, cognitive and personal strengths and experience, amongst other factors when reviewing the composition of the Board. However, it does not consider that it is appropriate to establish targets or quotas in this regard. On conclusion of the AGM, the Board will consist of four non-executive Directors of whom two are female thereby constituting 50% female representation.

Induction and training

New Directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided during the year on industry and regulatory matters and the Directors receive other relevant training as required.

Ongoing evaluation

On an annual basis the Board formally reviews its performance, together with that of the Audit and other Board committees and the effectiveness and contribution of the individual Directors, including the Chairman, within the context of service on those bodies. The review encompasses an assessment of how cohesively these bodies work as a whole as well as the performance of the individuals on the Board and Committees.

Corporate Governance Statement (continued)

Shareholder communications

Shareholder relations are given high priority by both the Board and the Investment Manager. The principal medium by which the Company communicates with shareholders is through half yearly and annual reports. The information contained therein is supplemented by daily NAV announcements and by a monthly fact sheet and quarterly report available on the Company's website.

The Board largely delegates responsibility for communication with shareholders to the management company and, through feedback, from the Investment Manager, expects to be able to develop an understanding of shareholders' views. There is also a communication line with shareholders through PATAC in its role as company secretary and operator of the DCP. The Board receives a quarterly report from the Investment Manager summarising any shareholder correspondence. Members of the Board are always happy to meet with shareholders for the purpose of discussing matters in relation to the operation and prospects of the Company. The new Chair and Paul Yates met with a number of major shareholders as part of an ongoing dialogue to understand how the Company is perceived to be fulfilling its purposes.

In normal circumstances, the Board encourages investors to attend the AGM and welcomes questions and discussion on issues of concern or areas of uncertainty. Shareholders who have any questions are encouraged to address these through the Company Secretary and the Board will respond accordingly.

The Investment Manager typically makes a presentation to the meeting outlining the key investment issues that face the Company. The presentation will be made available on the Company's website as there may be restrictions on physical attendance at the AGM.

Accountability, internal controls and audit

The Board pays careful attention to ensuring that all documents released by the Company, including the Annual Report, present a fair and accurate assessment of the Company's position and prospects.

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, the Board has determined that the most efficient and effective management of the Company is achieved by the Directors determining the investment strategy, and the Investment Manager being responsible for the day to day investment management decisions on behalf of the Company. Accounting, company secretarial and custodial services have also been delegated to organisations that are specialists in these areas, and which can provide, because of their size and specialisation, economies of scale, segregation of duties and all that is required to provide proper systems of internal control within a regulated environment.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit Committee examines internal control reports received from its principal service providers to satisfy itself as to the controls in place. The internal controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable.

Control of risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance statements, financial and risk analyses, Investment Manager reports and control reports. Key risks have been identified and controls put in place to mitigate them, including those not directly the responsibility of the Investment Manager. The effectiveness of the internal controls is assessed on a continuing basis by the Investment Manager, the custodian and the company secretary. Each maintains its own system of internal controls, and the Board and Audit Committee receive regular reports from them. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve objectives.

It is a requirement that the Board monitors the Company's risk management and internal controls systems and, at least annually, carries out a review of their effectiveness. The Board has established a process for identifying, evaluating and managing the principal risks faced by the Company in accordance with the Financial Reporting Council's guidance document "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly. The Board confirms that no significant failings or weaknesses were identified from the ongoing review of the efficacy of internal controls during the year. These controls have been in place throughout the period under review and up to the date of signing the financial statements.

Corporate Governance Statement (continued)

Since the Covid-19 pandemic emerged in 2020, the Board has worked with all of its agents, directly or indirectly, to ensure that internal controls and the resilience of operating systems continue to be in place, which has proven to be the case. This has resulted in more Board Committee meetings and reporting, which included a detailed assessment of operational risks that the Company might face in these more challenging market conditions. The systems and controls have proven to be robust to date, despite the challenges imposed by offsite working and lockdown provisions and increased reliance on internet and phone communication.

Compliance with the recommendations of AIC Code and UK Corporate Governance Code

During the financial year the Company has complied with the provisions of the 2019 AIC Code and the relevant provisions of the UK Corporate Governance Code.

Directors' Report

This Corporate Governance Statement forms part of the Directors' Report on pages 21 to 27.

By order of the Board

PATAC Limited
Company Secretary
21 May 2021

Shareholder Analysis

Beneficial owner analysis

As at 5 April:	2021 % of Issued capital	2020 % of Issued capital
Platforms/Execution only brokers	**35.1**	30.0
Private client stockbrokers	**22.1**	24.0
Wealth management	**14.8**	16.4
Private client fund management	**6.1**	6.0
Private investors	**5.2**	6.2
Asset managers	**3.8**	6.8
Other*	**12.9**	10.6
	100.0	100.0

Source: RD:IR

* which includes pension funds, insurance corporations and non-financial corporations

Audit Committee Report

Audit Committee Report

As Chairman of the Company's Audit Committee (the "Committee") I am pleased to present the Committee's report to shareholders for the year ended 5 April 2021. This report describes the range of work that the Committee has considered, been engaged in and the judgements it has exercised.

Composition

The Committee comprises Wendy Colquhoun, Paul Yates and myself, Robin Archibald, as Chair, all of whom have recent and relevant financial experience from their senior management and other non-executive roles. I am a chartered accountant with considerable financial and investment company experience, including serving as audit chair for other investment companies. My biography and those of the other Committee members can be found on page 19. Jean Matterson was a member of the Committee until her appointment as Chair of the Company in July 2020 and has since attended Committee meetings by invitation. Collectively, the Committee brings considerable corporate and investment company experience to bear on the Company's activities.

Role and responsibilities

The principal objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial records and externally published results. In doing so, the Committee operates within its terms of reference, which are reviewed annually, are available on the Company's website at https://www.capitalgearingtrust.com/about-us/board-committees.

The Committee discharges the following key functions:

- To review the internal financial and non-financial controls, identify the principal risks, including emerging risks, and monitor the mitigating controls, including meeting representatives of the Investment Manager/Company Secretary and receive reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- To consider the integrity of and recommend to the Board for approval the contents of the draft half-yearly and annual reports to shareholders and related announcements;
- To review the accounting policies and significant financial reporting judgements;
- To access going concern and viability of the Company, including the assumptions used;
- To ensure the Annual Report, taken as a whole, is fair, balanced and understandable;
- To review the external auditors' independence, objectivity, effectiveness, appointment, remuneration and the quality of the services provided and to approve, if appropriate, any non-audit services to be carried out by the auditor;
- Together with the Company Secretary, to review the Company's compliance with financial reporting and regulatory requirements; and
- To assess the need for an internal audit function.

The Committee met in full three times during the year, and its members more regularly on an informal basis. The Committee has continued to support the Board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the systems of internal control and management of risk, the audit process and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.

In particular, the Committee focussed on the following areas:

Financial Reporting

During the year, the Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. In light of the appointment of BDO and developments since the advent of the Covid-19 pandemic early in 2020, the Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The Committee also focussed on the transition of audit firms and found that there had been a satisfactory hand over of responsibilities between PwC, the former audit firm, and BDO.

Audit Committee Report (continued)

Financial Reporting (continued)

As part of the review of the financial statements, the Committee considered the following significant issues:

Significant issue	How the issue was addressed
Ownership and valuation of investments	The appointed Depositary is responsible for the custody and controlling of all assets of the Company entrusted for safekeeping. Controls are in place to ensure that valuations are appropriate, and existence is verified through custodian reconciliations. The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 1 to the financial statements on page 50. The external auditors test the value and existence of all of the Company's investments held at the balance sheet date.
Impact of the Covid-19 pandemic	The Committee considered the impact of Covid-19 on the Company, its service providers, compliance with regulatory requirements, going concern and on its financial statements.
Risk of fraud in revenue recognition, particularly as a result of investing in delisted trusts	Revenue was recognised in accordance with investment policies and enquiry was made on revenue of an atypical nature, such as special dividends or capital receipts. The Investment Manager reported to the Committee that less than 1% of the Company's portfolio is invested in delisted investment trusts. Receipts from these investments are reviewed by the Company Secretary and Investment Manager to ensure they are appropriately allocated to revenue or capital.
Potential for management override of controls	The Committee together with the Board have established clear lines of responsibility between the Investment Manager, custodian, Company Secretary and receive appropriate reports from each of them regarding the operation of those organisations' controls, including internal controls and reviews.
Going concern	The content of the investment portfolio, trading activity, portfolio diversification and the cash balances are discussed at each Board meeting. After due consideration, the Committee concluded it was appropriate to prepare the Company's financial statements on a going concern basis and made this recommendation to the Board. The relatively high level of liquidity of the portfolio was a key factor that led to this conclusion, as well as the Company being ungeared and its continued ability to meet the investment objective and to fulfil the aims under its discount and premium control policy.
Investment trust status	Approval for the Company as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 for financial years commencing on or after 6 April 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Audit Committee Report (continued)

Conclusions in respect of the Annual Report and Financial Statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. One of the key governance requirements of the Company's Annual Report and Financial Statements is that they are fair, balanced and understandable. The Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements, and that the Audit Committee has given consideration to the following:

a) the comprehensive documentation that is in place setting out the controls over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;

b) the comprehensive reviews that are undertaken at different levels in the production process of the Annual Report and Financial Statements, by the Investment Manager and Company Secretary and the Audit Committee that aim to ensure consistency and overall balance; and

c) the controls that are in place at the Investment Manager and third-party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 5 April 2021, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, position, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

Auditors and audit tenure

The Company's current auditors, BDO have acted in this role since their appointment in July 2020, following a formal tender process. As described below, the Committee reviews the performance of the auditors annually, taking into consideration the services and advice provided to the Company and the fees charged for these services. The audit partner is required to be rotated at least every five years and Vanessa Bradley was first appointed in July 2020. Based on existing regulation the audit must be put out to tender at least every ten years.

The Company operates on the basis whereby the provision of non-audit services by the auditor is permissible where no conflict of interest arises, where the independence of the auditor is not likely to be impinged on by undertaking the work and the quality and objectivity of both the non-audit work and audit work will not be compromised. There was no non-audit work carried out during the year by BDO.

The Committee considered the plan and scope of the audit, the principle risks that BDO would address, the timetable and proposed fees. The audit fee of £28,000, for the current year's audit excluding VAT, was approved by the Committee. There has been a trend for increased audit fees throughout the industry, particularly for listed companies, including investment companies. It is expected that the Company will be impacted by this in future years but that the fees will remain competitive for what is being provided and in the circumstances of the Company.

Representatives of BDO attend the Committee and subcommittee meetings at which the draft Annual Report and Financial Statements are reviewed and are given the opportunity to speak to the Committee members without the presence of the representatives of the Investment Manager or Company Secretary.

Audit Committee Report (continued)

Assessment of the efficacy of the external audit process

To assess the effectiveness of the external audit, the Audit Committee has adopted a framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

a) the quality of the audit engagement partner and the audit team;

b) the expertise of the audit firm and the resources available to it;

c) planning, scope and execution of the audit, including identification of areas of audit risk;

d) consideration of the appropriateness of the level of audit materiality adopted;

e) role of the Board, Company Secretary and third-party service providers in an effective audit process;

f) communications by the auditor with the Audit Committee;

g) how the auditor supports the work of the Audit Committee and contributes added value;

h) a review of independence and objectivity of the audit firm; and

i) the quality of the formal audit report to shareholders.

Following the completion of the external audit each year, the Committee reviews the effectiveness of the external audit process against these criteria and is satisfied that audit quality continues to be sufficient to allow the Company to meet its obligations, and to gain value from the services provided. The Committee is satisfied that the external audit was carried out effectively and recommends the re-appointment of BDO as the Company's auditor for the forthcoming financial year and the fixing of their remuneration for that year.

Committee evaluation

The Board conducts a formal annual review of the Committee's effectiveness, using an evaluation questionnaire. The outcome was positive with no significant concerns expressed.

2021 – 2022 action plan

During the year to 5 April 2022, the Committee will continue to examine changes to the regulatory and economic environment, and the risks and opportunities so presented. The current global crises caused by Covid-19 and its economic and financial impact on the Company is likely to continue to be a fundamental consideration for the Committee over the coming year. The annual report and financial statements and the half yearly statement will occupy much Committee time, as will examining the resilience of the Company's operations and internal controls in these more challenged times. The Committee will also continue to ensure that there is effectiveness of internal controls and integrity in financial records and external financial reporting.

Robin Archibald
Chairman
Audit Committee
21 May 2021

Directors' Remuneration Report

This section provides details of the remuneration policy for the Directors of the Company. All Directors are non-executive, appointed under the terms of letters of appointment, and none have a service contract. The Company has no employees.

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. The shareholders approved the remuneration policy at the Annual General Meeting in 2019 and it will be put to Shareholders again at the 2022 AGM. The Company has implemented the approved remuneration policy with effect from 10 July 2019. This policy, together with the Directors' letters of appointment, may be inspected at the Company's registered office.

The Board is composed wholly of non-executive Directors who together consider and determine all matters relating to the Directors' remuneration at the beginning of each financial year. A remuneration committee has not been formed as all the Directors are non-executive. The Directors are remunerated exclusively by fixed fees in cash, save for Mr Laing who does not receive a fee for his services. There are no performance related elements to the Directors' fees and the Company does not operate any type of incentive, share scheme or pension scheme. Therefore, no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are entitled to receive out of pocket expenses incurred in connection with their responsibilities, which principally relate to travel and accommodation expenses.

Policy on Directors' remuneration

The Company's policy is that the remuneration of each Director should be commensurate with the duties, responsibilities and time commitment of each respective role and consistent with the requirement to attract and retain Directors of appropriate quality and experience. The remuneration should also be comparable to that of similar investment trusts within the AIC Flexible Investment Sector and other investment trusts which are similar in size and structure. No shareholder has expressed any views to the Company in respect of the remuneration policy and the Directors' remuneration. The remuneration policy is not subject to employee consultation as the Company has no employees. As such, there are no employee comparative data to provide in relation to the setting of the remuneration policy of the Directors.

The Board, at its discretion, shall determine Directors' remuneration subject to the aggregate annual fees not exceeding the amount set out in the Company's Articles from time to time. The current limit of the total aggregate annual fees payable is £150,000. This limit can be increased by ordinary resolution of the shareholders and a resolution to increase this limit to £165,000, being an increase of 10%, will be proposed at the 2021 Annual General Meeting. Increasing this cap is to provide capacity to appoint a further director should it ever be considered desirable to do so. The aggregate directors fees are projected to be less than £130,000 for the forthcoming year. Such remuneration is solely composed of Directors' fees and Directors are not eligible for any other remuneration for their duties. Fees for each financial year are agreed and approved by the Board.

The Board will consider any comments received from shareholders on the remuneration policy on an ongoing basis and will take account of these views where appropriate. It is intended that this policy will remain in place for the following financial year and subsequent financial years.

Loss of office

A Director may be removed from office without notice and no compensation will be due on loss of office.

Expenses

All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as Directors of the Company.

Review of remuneration policy

The Board reviews the above policy at least annually to ensure that it remains appropriate.

Audit requirements

This report is prepared in accordance with section 421 of the Companies Act 2006. The Company's auditors are required to report on certain information contained within this report. These elements are described below as 'audited'. The auditors' opinion is included within the auditors' report set out on pages 41 to 45.

Directors' Remuneration Report (continued)

Directors' fees (audited)

The Directors who served during the year received remuneration as detailed below. The fee rates, having been determined are applied from the date, which is not necessarily the commencement of a reporting period, where a director is appointed or assumes additional responsibilities.

The Directors are remunerated exclusively by fixed fees and do not receive bonus payments, share options or pension contributions from the Company apart from reimbursement of allowable expenses. Directors' fees are reviewed every year and a detailed review was undertaken in March 2021 and the basis for the increase in fees is provided in the Chairman's statement. The new fee rates shown in the table below took effect from 6 April 2021.

	Year to 5 April 2022 fee rates £	Year to 5 April 2021 fee rates £	Year to 5 April 2020 fee rates £
Chairman	**38,500**	35,000	35,000
Audit Committee Chairman*	**33,000**	30,000	30,000
All other Directors	**27,500**	25,000	25,000

* The Senior Independent Director, who is also the Audit Committee chair, receives an additional fee of £2,000 per annum.

The total figure of remuneration for the Board as a whole over the five years ending 5 April 2021 is summarised below and there were no performance related, pension or other taxable benefits paid:

	Fees £
2021	113,577
2020	121,000
2019	99,000
2018	121,000
2017	99,000

Single total figure of remuneration (audited)

The single total figure of remuneration for the Board as a whole for the year ended 5 April 2021 was £113,577 (2020: £121,000). The single total figure table for the total remuneration of each Director for the year ended 5 April 2021, together with the prior year's comparative, is set out in the table below:

Directors	Total 2021 £	Total 2020 £
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	**32,481**	25,000
Mr R Archibald (Chairman of the Audit Committee and Senior Independent Director)	**32,000**	29,000
Mr A R Laing	**–**	–
Ms W M Colquhoun (appointed 5 January 2021)	**5,673**	–
Mr P T Yates (appointed 2 December 2019)	**25,000**	8,000
Mr E G Meek (retired 12 November 2020)	**18,423**	35,000
Mr G A Prescott (retired 28 January 2020)	**–**	24,000
	113,577	121,000

Since 6 April 2018, Mr A R Laing has not received a fee from the Company. He received remuneration totalling £126,000 (2020: £111,000) from CG Asset Management Limited in respect of its services to the Company. CG Asset Management Limited does not recharge this remuneration to the Company.

Details of transactions with CG Asset Management Limited, of which Mr A R Laing is a Director, are disclosed in note 3. There were no other transactions with Directors during the year.

No payments were made to any former Directors and no loss of office payments were made to any person who has previously served as a Director of the Company at any time during the financial year ended 5 April 2021 (2020: nil).

Directors' Remuneration Report (continued)

Annual Percentage Change in Remuneration of Directors

The table below is a new disclosure requirement under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and sets out the annual percentage change in each director's remuneration received in the financial year ended 5 April 2021 compared to the financial year ended 5 April 2020. The percentage change reflects changes in role and less than full year appointment. There was no change in fee rates over the period.

Directors	Total Fees (% change)
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	**29.9%**
Mr R Archibald (Chairman of the Audit Committee and Senior Independent Director)	**10.3%**
Mr A R Laing	**–**
Ms W M Colquhoun (appointed 5 January 2021)	**n/a**
Mr P T Yates (appointed 2 December 2019)	**212.5%**
Mr E G Meek (retired 12 November 2020)	**-47.4%**
Mr G A Prescott (retired 28 January 2020)	**-100.0%**

Directors and their interests (audited)

The Directors in office at 5 April 2021 and the number of shares in the Company over which they held an interest are listed below. The interests of each Director include the interests of their connected persons:

	Ordinary shares of 25p each	
	5 April 2021	5 April 2020
Mr A R Laing		
Non-executive Director and director of the Investment Manager	**15,762**	14,623
Miss J G K Matterson		
Non-executive Chairman	**15,700**	12,000
Mr R Archibald		
Non-executive Director and Senior Independent Director	**2,079**	920
Ms W M Colquhoun		
Non-executive Director	**400**	n/a
Mr P T Yates		
Non-executive Director	**1,000**	1,000

No changes in these holdings have been notified since 6 April 2021 up to the date of this report. The Company has no share options or any share schemes, and does not operate a pension scheme. None of the Directors are required to own shares in the Company.

Performance graphs

Graphs showing the Company's net asset value compared with the MSCI UK Index and RPI over the period from 2001 to 2021 and comparing the Company's share price total return to shareholders over the last five years with the MSCI UK Index and RPI, are shown on page 3. Over the same five year period the net assets of the Company increased from £107.9 million to £634.0 million.

Actual expenditure by the Company on remuneration and distributions to shareholders for the current and prior year are detailed in the table below:

	2021 £'000	2020 £'000	Absolute change £'000
Remuneration paid to all Directors	**114**	121	(7)
Distribution to shareholders by way of dividend**	**6,216**	4,901	1,315

** Dividend for 2021 comprises the final dividend proposed for the year but not yet paid (estimated on 13,813,113 shares, being the number of shares in issue at 5 April 2021.

Directors' Remuneration Report (continued)

Statement of voting at the last Annual General Meeting

An ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM and every year thereafter. At the last AGM held on 3 July 2020, shareholders passed the resolution to approve the Directors' Remuneration Report on a show of hands. Furthermore of the total 4,365,222 proxy votes cast, 4,359,861 were in favour, 5,361 were against and 1,293 votes were withheld. There were therefore no substantial shareholder votes against the resolutions at the AGM in 2020. Should there be in the future, the Directors will seek to discuss with relevant shareholders the reasons for any such vote and any actions in response will be disclosed in future reports.

Annual statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors' Remuneration Report summarises as appropriate for the year ended 5 April 2021:

a) the major decisions on Directors' remuneration;

b) any substantial changes relating to Directors' remuneration made during the year; and

c) the context in which those changes occurred and decisions were taken.

On behalf of the Board

Jean Matterson
Chairman
21 May 2021

Directors' Responsibilities Statement in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 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 enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Annual Report and Financial Statements are published on the Company's website which is maintained by the Investment Manager. The Investment Manager is responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Declaration

Each of the Directors, whose names and functions are listed in the Governance Report, confirms that, to the best of his or her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Board's Strategic Report includes 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; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Jean Matterson
Chairman
21 May 2021

Independent auditors' report to the members of Capital Gearing Trust P.l.c.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 5 April 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Capital Gearing Trust P.l.c. (the 'Company') for the year ended 5 April 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 3 July 2020 to audit the financial statements for the year ended 5 April 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year, covering the year ending 5 April 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of management's method of assessing the going concern in light of market volatility and the present uncertainties due to the Covid-19;
- Assessing the liquidity position available to meet the future obligations and operating expenses for the next twelve months;
- Challenging the reasonableness of management's assumptions and judgements made in their forecasts with reference to historical actual results; and
- Assessing the reasonableness of management's stress tests performed on their forecasts and the resulting impacts on the company's liquidity position and requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Capital Gearing Trust P.l.c. (continued)

Overview

Key audit matters	Valuation and ownership of quoted investments	**2021** ✓
Materiality	**Financial statements as a whole** £6.3m based on 1% of Net Assets	

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership quoted of investments (note 1b and note 8)	The investment portfolio at the year end comprised of investments at fair value through profit or loss. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance. The Investment Manager's fee is based on the value of the net assets of the fund. As the investment manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We responded to this matter by testing the valuation and ownership of over 99% of the portfolio of quoted investments. We performed the following procedures: ■ Confirmed the year end bid price was used by agreeing to externally quoted prices. ■ Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. ■ Obtained direct confirmation from the custodian regarding the ownership of all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we consider management's assessment of the valuation of quoted investments to be appropriate.

Independent auditors' report to the members of Capital Gearing Trust P.l.c. (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements
	2021
Materiality	£6.3m
Basis for determining materiality	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, the net asset value is a key measure for users of the financial statements.
Performance materiality	£4.41m
Basis for determining performance materiality	Performance materiality was set at 70% of total materiality as this is the first year on the audit.

Lower testing threshold

We have set a lower testing threshold for those items impacting revenue return of £670,000 which is based on 10% of net revenue returns before tax.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £126,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Independent auditors' report to the members of Capital Gearing Trust P.l.c. (continued)

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer- term viability	■ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and ■ The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	■ The Directors' statement on fair, balanced and understandable; ■ The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; ■ The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and ■ The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ■ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ■ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 Company 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Capital Gearing Trust P.l.c. (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS 102. We also considered the company's qualification as an Investment Trust under UK tax legislation. We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the significant fraud risk area to be management override of controls.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance;
- testing of journal postings,on a sample basis based on a defined risk criteria, made during the year to identify potential management override of controls;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non- compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Vanessa Bradley (Senior Statutory Auditor)
For and on behalf of **BDO LLP**, **Statutory Auditor**
London, UK

21 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement
for the year ended 5 April 2021

	Note	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Net gains/(losses) on investments	8	–	57,452	57,452	–	(10,759)	(10,759)
Net currency (losses)/gains		–	(116)	(116)	–	289	289
Investment income	2	9,942	–	9,942	7,775	–	7,775
Gross return		9,942	57,336	67,278	7,775	(10,470)	(2,695)
Investment management fee	3	(2,604)	–	(2,604)	(856)	(1,283)	(2,139)
Other expenses	4	(612)	–	(612)	(545)	–	(545)
Net return before tax		6,726	57,336	64,062	6,374	(11,753)	(5,379)
Tax (charge)/credit on net return	5	(396)	–	(396)	(525)	425	(100)
Net return attributable to equity shareholders		6,330	57,336	63,666	5,849	(11,328)	(5,479)
Net return per Ordinary share	7	51.04p	462.35p	513.39p	59.12p	(114.49)p	(55.37)p

The total column of this statement represents the income statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

There are no gains or losses other than those recognised in the income statement and therefore no statement of comprehensive income has been presented.

The notes on pages 50 to 62 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 5 April 2021

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Total equity share-holders' funds £'000
Balance at 6 April 2019		1,972	203,043	16	112,450	4,447	321,928
Net return attributable to equity shareholders and total comprehensive income for the year		–	–	–	(11,328)	5,849	(5,479)
Shares bought back		–	–	–	(7,761)	–	(7,761)
Shares issued from treasury		–	269	–	3,720	–	3,989
New shares issued		931	159,414	–	–	–	160,345
Dividends paid	6	–	–	–	–	(2,963)	(2,963)
Total transactions with owners recognised directly in equity		931	159,683	–	(4,041)	(2,963)	153,610
Balance at 5 April 2020		2,903	362,726	16	97,081	7,333	470,059
Balance at 6 April 2020		**2,903**	**362,726**	**16**	**97,081**	**7,333**	**470,059**
Net return attributable to equity shareholders and total comprehensive income for the year		**–**	**–**	**–**	**57,336**	**6,330**	**63,666**
Shares bought back		**–**	**–**	**–**	**–**	**–**	**–**
Shares issued from treasury		**–**	**389**	**–**	**3,961**	**–**	**4,350**
New shares issued		**550**	**100,322**	**–**	**–**	**–**	**100,872**
Dividends paid	6	**–**	**–**	**–**	**–**	**(4,901)**	**(4,901)**
Total transactions with owners recognised directly in equity		**550**	**100,711**	**–**	**3,961**	**(4,901)**	**100,321**
Balance at 5 April 2021		**3,453**	**463,437**	**16**	**158,378**	**8,762**	**634,046**

* The capital reserve balance at 5 April 2021 includes unrealised gains on fixed asset investments of £38,200,000 (5 April 2020 – losses of £5,288,000). As at 5 April 2021 £120,241,000 (2020: £102,383,000) of the capital reserve is regarded as being available for distribution.

The notes on pages 50 to 62 form an integral part of these financial statements.

Statement of Financial Position
as at 5 April 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	**594,230**	444,851
Current assets			
Debtors	9	**3,895**	2,214
Cash at bank and in hand		**37,242**	33,641
		41,137	35,855
Creditors: amounts falling due within one year	10	**(1,321)**	(10,647)
Net current assets		**39,816**	25,208
Total assets less current liabilities		**634,046**	470,059
Capital and reserves			
Called-up share capital	11	**3,453**	2,903
Share premium account		**463,437**	362,726
Capital redemption reserve		**16**	16
Capital reserve		**158,378**	97,081
Revenue reserve		**8,762**	7,333
Total equity shareholders' funds		**634,046**	470,059
Net asset value per Ordinary share	12	**4,590.2p**	4,084.2p

The financial statements on pages 46 to 62 were approved by the Board on 21 May 2021 and signed on its behalf by:

Jean Matterson
Chairman

The notes on pages 50 to 62 form an integral part of these financial statements.

Cash Flow Statement
for the year ended 5 April 2021

	Note	2021 £'000	2020 £'000
Net cash outflow from operations before dividends and interest	13	**(3,211)**	(2,281)
Dividends received		**6,641**	4,696
Interest received		**3,916**	3,590
Tax paid		**(90)**	–
Net cash inflow from operating activities		**7,256**	6,005
Payments to acquire investments		**(372,428)**	(438,109)
Receipts from sale of investments		**269,854**	302,761
Net cash outflow from investing activities		**(102,574)**	(135,348)
Equity dividends paid	6	**(4,901)**	(2,963)
Repurchase of Ordinary shares		**–**	(7,756)
Cost of share issues		**(134)**	(687)
Issue of Ordinary shares		**103,954**	164,955
Net cash inflow from financing activities		**98,919**	153,549
Increase in cash and cash equivalents		**3,601**	24,206
Cash and cash equivalents at start of year		**33,641**	9,435
Cash and cash equivalents at end of year		**37,242**	33,641

The notes on pages 50 to 62 form an integral part of these financial statements.

Notes to the Financial Statements

1 Significant Accounting Policies

a) Basis of accounting

Capital Gearing Trust P.l.c. is a public company limited by shares, is incorporated and domiciled in Northern Ireland and carries on business as an investment trust.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (Accounting Standards "UK GAAP") including Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of Investments held at fair value through profit or loss.

The principal accounting policies are set out below. These policies have been applied consistently throughout the current and prior year with exception of the allocation of investment management fees, as described in note 1(f).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates or judgements.

b) Valuation of investments

The Company has elected to adopt Sections 11 and 12 of FRS 102 in respect of investments and other financial instruments. The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with a documented investment strategy and information is provided internally on that basis to the Board. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost, including expenses incidental to purchase. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

All purchases and sales are accounted for on a trade date basis.

c) Accounting for reserves

Gains and losses on sales of investments and any other capital charges are included in the Income Statement and dealt with in the capital reserve. Increases and decreases in the valuation of investments held at the year end and foreign exchange gains and losses on cash balances held at the year end are also included in the Income Statement and dealt with in the capital reserve. The cost of repurchasing the Company's own shares for cancellation including the related stamp duty and transaction costs is charged to the distributable element of the capital reserve. The costs relating to the issue of new Ordinary shares are charged to the share premium account.

d) Dividends

In accordance with FRS 102 the final dividend is included in the financial statements in the year that it is approved by shareholders.

e) Income

Dividends receivable on listed equity shares are recognised on the ex-dividend date as a revenue return, and the return on zero dividend preference shares is recognised as a capital return.

Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established.

Special dividends receivable are taken to capital where relevant circumstances indicate that the dividends are capital in nature.

Income from fixed-interest securities is recognised as revenue on a time apportionment basis so as to reflect their effective yield.

Income from securities where the return is linked to an inflation index is recognised on a time apportionment basis so as to reflect their effective yield, including the anticipated inflationary increase in their redemption value. The element of the total effective yield that relates to the inflationary increase in their redemption value is considered to represent a capital return, and is included in the Income Statement as such in accordance with the SORP.

Notes to the Financial Statements (continued)

1 Significant Accounting Policies (continued)

f) Expenses

All expenses include, where applicable, value added tax ("VAT"). As from 6 April 2020, all expenses are charged to revenue. Previously expenses were charged through the revenue account except when expenses are charged to capital reserve where a connection with the maintenance or enhancement of the value of the investments could be demonstrated. The investment management fees were previously charged 60% to capital and 40% to revenue, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

This change, which does not require a prior year adjustment or represent a post balance sheet event, reflects the way in which the Company is managed to provide total return with less emphasis on the ability to pay dividends, other than to maintain investment trust status.

g) Taxation Policy

Current tax payable is based on the taxable profit for the year. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Owing to the Company's status as an investment trust, and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation of investments.

h) Other financial instruments

Other debtors and creditors do not carry any interest, are short-term in nature and initially recognised at fair value and then held at amortised cost, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

i) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentational currency of the Company. The directors, having regard to the currency of the Company's share capital and the predominant currency in which the Company operates, have determined the functional currency to be sterling.

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

j) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- realised foreign currency differences of a capital nature; and
- unrealised foreign currency differences of a capital nature.

k) Repurchases of shares into treasury and subsequent re-issue

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of "called-up share capital" and into "capital redemption reserve".

The sales proceeds of treasury shares re-issued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

Notes to the Financial Statements (continued)

2 Investment income

	2021 £'000	2020 £'000
Income from investments:		
Interest from UK bonds	**1,329**	1,452
Income from UK equity and non-equity investments	**4,194**	3,950
Interest from overseas bonds	**1,994**	1,506
Income from overseas equity and non-equity investments	**2,425**	867
Total income	**9,942**	7,775

	2021 £'000	2020 £'000
Total income comprises:		
Dividends	**6,619**	4,817
Interest	**3,323**	2,958
	9,942	7,775

	2021 £'000	2020 £'000
Income from investments comprises:		
Listed in the UK	**5,523**	5,402
Listed overseas	**4,419**	2,373
	9,942	7,775

3 Investment management fee

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Investment management fee	**2,604**	**–**	**2,604**	856	1,283	2,139

The Company's Investment Manager CG Asset Management Limited received an annual management fee equal to 0.60% of the net assets of the Company up to £120m, 0.45% on net assets above £120m to £500m and 0.30% thereafter (2020: the same basis). At 5 April 2021 £710,000 (2020: £573,000) was payable. As explained in note 1(f) on page 51, with effect from 6 April 2020 all expenses are charged to revenue. Previously the percentage allocation of the investment management fee charged to capital and revenue was 60:40. The terms of the investment management agreement are detailed on page 21.

Notes to the Financial Statements (continued)

4 Other expenses

	2021 £'000	2020 £'000
Fees payable to Company auditors for the audit of Company financial statements	**34**	23
Directors' remuneration (refer to Directors' Remuneration Report)	**114**	121
Company secretarial, administration and accountancy services	**152**	150
Custody services	**68**	57
General expenses	**244**	194
	612	545

The above expenses include irrecoverable VAT where appropriate.

5 Taxation

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Current tax:						
Overseas withholding tax	**28**	**–**	**28**	36	–	36
Corporation tax	**368**	**–**	**368**	489	(425)	64
Current tax charge for the year	**396**	**–**	**396**	525	(425)	100

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Net return before tax	**6,726**	**57,336**	**64,062**	6,374	(11,753)	(5,379)
Return at the standard rate of UK corporation tax	**1,278**	**10,894**	**12,172**	1,211	(2,233)	(1,022)
Adjusted for the effects of:						
Non-taxable UK franked dividends	**(936)**	**–**	**(936)**	(722)	–	(722)
Non-taxable capital returns*	**–**	**(10,894)**	**(10,894)**	–	1,988	1,988
Utilisation of prior year management charges	**–**	**–**	**–**	–	(180)	(180)
Irrecoverable overseas withholding tax	**28**	**–**	**28**	36	–	36
Prior year tax charge	**26**	**–**	**26**	–	–	–
Current tax charge for the year	**396**	**–**	**396**	525	(425)	100

* The Company is an Investment Trust as defined by section 1158 of the Corporation Tax Act 2010 and capital gains are not subject to UK corporation tax within an Investment Trust.

As the Company's unrelieved management expenses from previous years have been exhausted, a corporation tax charge of £342,000 is payable in respect of the year ended 5 April 2021 (2020: £64,000).

Notes to the Financial Statements (continued)

6 Dividends paid

	2021 £'000	2020 £'000
Ordinary shares		
2020 dividend paid 17 July 2020 (42.0p per share (25.0p ordinary dividend and 17.0p special dividend))	4,901	–
2019 dividend paid 19 July 2019 (35.0p per share (23.0p ordinary dividend and 12.0p special dividend))	–	2,963

The 2020 dividend was paid on 17 July 2020 to shareholders on the register on 5 June 2020 when there were 11,669,563 Ordinary shares in issue. The 2019 dividend was paid on 19 July 2019 to shareholders on the register on 11 June 2019 when there were 8,468,038 Ordinary shares.

The Directors have recommended to shareholders a final dividend of 45p per share for the year ended 5 April 2021. If approved, this dividend will be paid to shareholders on 16 July 2021. This dividend is subject to approval by shareholders at the AGM and, therefore, in accordance with FRS 102, it has not been included as a liability in these financial statements. The total estimated dividend to be paid is £6,216,000 (based on the number of shares in issue at 5 April 2021).

	2021 £'000	2020 £'000
Revenue available for distribution by way of dividend for the year	6,330	5,849
Proposed final dividend of 45p for the year ended 5 April 2021	6,216	4,834
Revenue surplus for purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010	114	1,015

7 Net return per Ordinary share

The net return per Ordinary share of 513.39p (2020: net loss of 55.37p) is based on the total net return after taxation for the financial year of £63,666,000 (2020: net loss of £5,479,000) and on 12,401,011 (2020: 9,894,077) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Revenue return per Ordinary share of 51.04p (2020: 59.12p) is based on the net revenue return after taxation of £6,330,000 (2020: £5,849,000) and on 12,401,011 (2020: 9,894,077) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Capital return per Ordinary share of 462.35p (2020: net loss of 114.49p) is based on the net capital return for the financial year of £57,336,000 (2020: net loss of £11,328,000) and on 12,401,011 (2020: 9,894,077) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

The Company does not have dilutive securities. Therefore the basic and diluted returns per share are the same.

Notes to the Financial Statements (continued)

8 Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Investments comprise –		
Listed investment companies:		
Ordinary shares UK	**144,074**	56,797
Ordinary shares overseas	**86,094**	53,128
Zero dividend preference shares UK	**15,296**	14,054
Listed UK government bonds	**60,657**	109,299
Listed UK non-government bonds	**38,123**	40,019
Listed overseas government bonds	**167,180**	100,246
Listed overseas non-government bonds	**11,655**	13,108
Exchange traded funds	**71,151**	58,200
	594,230	444,851
Opening cost of investments held at 6 April	**450,139**	294,511
Unrealised appreciation at 6 April	**(5,288)**	19,360
Opening fair value of investments held at 6 April	**444,851**	313,871
Additions at cost	**363,098**	444,245
Effective yield adjustment*	**(581)**	(682)
Sales proceeds	**(270,590)**	(301,824)
Gains/(losses) on investments	**57,452**	(10,759)
Closing fair value of investments held at 5 April	**594,230**	444,851
Closing book cost of investments held at 5 April	**556,030**	450,139
Unrealised appreciation/(depreciation) at 5 April	**38,200**	(5,288)
	594,230	444,851
Realised gains on disposals	**13,964**	13,889
Increase/(decrease) in unrealised appreciation	**43,488**	(24,648)
Net gains/(losses) on investments	**57,452**	(10,759)

The Company received proceeds of £270,590,000 (2020: £301,824,000) from investments sold in the year. The average book cost of these investments when they were purchased was £256,626,000 (2020: £287,935,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments.

The geographical spread of investments is shown on page 15.

The total transaction costs on additions were £417,000 (2020: £257,000) and on sales £43,000 (2020: £38,000). These costs are included in the book cost of acquisitions and the net proceeds of sales.

* See Income section of Accounting Policies on page 50 for a fuller description.

Notes to the Financial Statements (continued)

9 Debtors

	2021 £'000	2020 £'000
Other debtors	**2,770**	1,049
Prepayments and accrued income	**1,116**	1,161
Taxation	**9**	4
	3,895	2,214

10 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Other creditors	**160**	9,880
Accruals and deferred income	**819**	703
Corporation tax	**342**	64
	1,321	10,647

11 Called-up share capital

	2021 £'000	2020 £'000
Allotted and fully paid Ordinary shares of 25p each		
At the beginning of the year: 11,611,563 Ordinary shares (2020: 7,886,589)	**2,903**	1,972
Allotted during the year: 2,201,550 Ordinary shares (2020: 3,724,974)	**550**	931
At the end of the year: 13,813,113 Ordinary shares (2020: 11,611,563)	**3,453**	2,903

During the year to 5 April 2021, no Ordinary shares were repurchased by the Company (2020: 198,300 Ordinary Shares at a cost of £7,761,000). 102,300 (2020: 96,000) Ordinary shares were re-issued from treasury by the Company for cash proceeds totalling £4,350,000 (2020: £3,989,000). No shares were purchased for cancellation during the year (2020: nil) and at the year end no shares were held in treasury (2020: 102,300).

During the year to 5 April 2021, 2,201,550 (2020: 3,724,974) new Ordinary shares were issued by the Company for cash proceeds totalling £100,872,000 (2020: £160,345,000).

12 Net asset value per Ordinary share

The net asset value per Ordinary share and the net asset value attributable to the Ordinary shares at the year end, calculated in accordance with the Articles, were as follows:

Net asset value per Ordinary share attributable to

	2021	2020
Ordinary shares	**4,590.2p**	4,084.2p

Net asset value attributable to

	2021 £'000	2020 £'000
Ordinary shares	**634,046**	470,059

Net asset value per Ordinary share is based on the net assets, as shown above, and on 13,813,113 (2020: 11,509,263) Ordinary shares, being the number of Ordinary shares in issue at the year end (excluding shares held in treasury).

Notes to the Financial Statements (continued)

13 Reconciliation of net return before finance costs and tax to net cash outflow from operations before dividends and interest

	2021 £'000	2020 £'000
Net gain/(loss) before tax	**64,062**	(5,379)
Less capital (return)/loss before tax	**(57,336)**	11,753
Decrease/(increase) in prepayments	**40**	(28)
Increase in accruals and accrued income	**114**	165
Management fees charged to capital	**–**	(1,283)
Increase in overseas withholding tax	**(28)**	(36)
(Increase)/decrease in recoverable UK tax	**(5)**	13
Dividends received	**(6,619)**	(4,817)
Interest received	**(3,323)**	(2,958)
Realised (loss)/gain on foreign currency transactions	**(116)**	289
Net cash outflow from operations before dividends and interest	**(3,211)**	(2,281)

14 Financial instruments

The Company has the following financial instruments:

	2021 £'000	2020 £'000
Financial assets at fair value through profit or loss		
– Investments held at fair value through profit and loss	**594,230**	444,851
Financial assets that are debt instruments measured at amortised cost		
– Cash at bank and at hand	**37,242**	33,641
– Other debtors	**2,770**	1,049
– Accrued income	**1,085**	1,119
	635,327	480,660

	2021 £'000	2020 £'000
Financial liabilities measured at amortised cost		
– Other creditors	**143**	9,860
– Accruals	**819**	703
	962	10,563

The Company's financial instruments comprise:

- investment company ordinary shares, zero dividend preference shares, exchange traded funds and fixed and index-linked securities that are held in accordance with the Company's investment objectives;
- cash and liquid resources that arise directly from the Company's operations; and
- debtors and creditors.

The main risks arising from the Company's financial instruments are market risk, interest rate risk, foreign currency risk and credit risk. The Board regularly reviews and monitors the management of each of these risks and they are summarised below.

Other debtors and creditors do not carry any interest and are short-term in nature and accordingly are stated at their nominal value.

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Market risk

Market risk arises mainly from uncertainty about the future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Company invests in the shares of other investment companies. These companies may use borrowings or other means to gear their balance sheets which may result in returns that are more volatile than the markets in which they invest, and the market value of investment company shares may not reflect their underlying assets.

To mitigate these risks, the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined financial, market and sector analysis, with the emphasis on long-term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the systemic risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy. A list of the investments held by the Company is shown on pages 15 to 18. All investments are stated at bid value, which in the Directors' opinion is equal to fair value.

Price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per Ordinary share to an increase or decrease of 5% in market prices. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's investments at the Statement of Financial Position date with all other variables held constant.

	2021 5% increase in market prices £'000	2021 5% decrease in market prices £'000	2020 5% increase in market prices £'000	2020 5% decrease in market prices £'000
Income Statement – net return after tax				
Revenue return	**(105)**	**105**	(35)	35
Capital return	**29,712**	**(29,712)**	22,188	(22,188)
Total return after taxation	**29,607**	**(29,607)**	22,153	(22,153)
Net assets	**29,607**	**(29,607)**	22,153	(22,153)
Net asset value per Ordinary share	**214.34p**	**(214.34)p**	192.48p	(192.48)p

Interest rate risk

Bond and preference share yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a price different from its purchase level and a profit or loss may be incurred.

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Interest rate sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per Ordinary share to an increase or decrease of 1% in regard to the Company's monetary financial assets and financial liabilities. The financial assets affected by interest rates are funds held by the custodian on deposit. There are no financial liabilities affected by interest rates. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments at the Statement of Financial Position date with all other variables held constant.

	2021 1% increase in interest rates £'000	2021 1% decrease in interest rates £'000	2020 1% increase in interest rates £'000	2020 1% decrease in interest rates £'000
Income Statement – net return after tax				
Revenue return	**301**	**(301)**	249	(249)
Total return after taxation	**301**	**(301)**	249	(249)
Net assets	**301**	**(301)**	249	(249)
Net asset value per Ordinary share	**2.18p**	**(2.18)p**	2.16p	(2.16)p

The interest rate profile of the Company's assets at 5 April 2021 was as follows:

	Total (as per Statement of Financial Position) £'000	Floating rate £'000	Index-linked £'000	Other fixed rate £'000	Assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment trusts & other funds	316,615	–	–	–	316,615	–	–
UK index-linked government bonds	21,660	–	21,660	–	–	0.17	2.91
UK index-linked non-government bonds	13,660	–	13,660	–	–	2.85	1.03
UK government bonds	38,997	–	–	–	38,997	–	–
UK non-government bonds	21,619	–	–	21,619	–	4.84	2.12
Overseas index-linked government bonds	167,180	–	167,180	–	–	0.97	10.98
Overseas non-government bonds	14,499	–	–	14,499	–	4.76	1.19
Invested funds	594,230	–	202,500	36,118	355,612		
Cash at bank	37,242	37,242	–	–	–	–	–
Other debtors	3,895	–	–	–	3,895	–	–
Liabilities							
Creditors	(1,321)	–	–	–	(1,321)	–	–
Total net assets	**634,046**	**37,242**	**202,500**	**36,118**	**358,186**		

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

The interest rate profile of the Company's assets at 5 April 2020 was as follows:

	Total (as per Statement of Financial Position) £'000	Floating rate £'000	Index-linked £'000	Other fixed rate £'000	Assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment trusts & other funds	182,179	–	–	–	182,179	–	–
UK index-linked government bonds	19,262	–	19,262	–	–	0.84	3.13
UK index-linked non-government bonds	9,111	–	9,111	–	–	1.12	1.75
UK government bonds	90,037	–	–	–	90,037	–	–
UK non-government bonds	30,908	–	–	30,908	–	2.46	2.36
Overseas index-linked government bonds	100,246	–	100,246	–	–	1.23	8.37
Overseas index-linked non-government bonds	1,181	–	1,181	–	–	3.67	0.63
Overseas non-government bonds	11,927	–	–	11,927	–	2.89	2.09
Invested funds	444,851	–	129,800	42,835	272,216		
Cash at bank	33,641	33,641	–	–	–	–	–
Other debtors	2,214	–	–	–	2,214	–	–
Liabilities							
Creditors	(10,647)	–	–	–	(10,647)	–	–
Total net assets	**470,059**	**33,641**	**129,800**	**42,835**	**263,783**		

Fair value of financial assets and liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or at a reasonable approximation of fair value.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council.

Level 1: valued using unadjusted quoted prices in active markets for identical assets.

Level 2: valued using observable inputs other than quoted prices included within Level 1.

Level 3: valued using inputs that are unobservable and are valued by the Directors using International Private Equity and Venture Capital Valuation ('IPEV') guidelines, such as earnings multiples, recent transactions and net assets, which equate to their fair values.

The Company's assets are measured at fair value through the Income Statement. The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. As at 5 April 2021, £593,804,000 (2020: £444,311,000) of the Company's investments were classified as Level 1 with £426,000 (2020: £540,000) classified as Level 3. During the year one asset (Better Capital PCC) was moved from Level 1 to Level 3 as it delisted. During 2020 four assets (Eurovestec, Mithras Investment Trust, EF Realisation Company Limited and Aberdeen Private Equity Fund) were moved from Level 1 to Level 3 as they were delisted.

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Foreign currency risk

The Company's investments in foreign currency securities are subject to the risk of currency fluctuations. The Investment Manager monitors current and forward exchange rate movements in order to mitigate this risk. The Company's investments denominated in foreign currencies are:

	2021 Investments £'000	2021 Accrued interest £'000	2020 Investments £'000	2020 Accrued interest £'000
Euro	**32,884**	**–**	11,917	–
US Dollar	**145,690**	**401**	100,469	375
Swedish Krona	**26,342**	**27**	16,959	19
Australian Dollar	**2,499**	**4**	1,181	4
Japanese Yen	**20,188**	**2**	–	–
	227,603	**434**	130,526	398

Foreign currency sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per Ordinary share to an increase or decrease of 10% in the rates of exchange of foreign currencies relative to sterling. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's foreign currency investments at the Statement of Financial Position date with all other variables held constant.

	2021 10% appreciation of Sterling £'000	2021 10% depreciation of Sterling £'000	2020 10% appreciation of Sterling £'000	2020 10% depreciation of Sterling £'000
Income statement – net return after taxation				
Revenue return	**(358)**	**358**	(194)	194
Capital return	**(22,760)**	**22,760**	(13,053)	13,053
Total return after taxation	**(23,118)**	**23,118**	(13,247)	13,247
Net assets	**(23,118)**	**23,118**	(13,247)	13,247
Net asset value per Ordinary share	**(167.36)p**	**167.36p**	(115.10)p	115.10p

Liquidity risk

Liquidity risk is not considered to be significant as the Company has no bank loans or other borrowings and the majority of the Company's assets are investments in quoted securities which are readily realisable. All liabilities are payable within three months.

Credit risk

In addition to interest rate risk, the Company's investment in bonds, the majority of which are government bonds, is also exposed to credit risk which reflects the ability of a borrower to meet its obligations. Generally, the higher the quality of the issue, the lower the interest rate at which the issuer can borrow money. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. Investment transactions are carried out with a number of brokers whose standing is reviewed periodically by the Investment Manager. The Investment Manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of his normal scrutiny of existing and prospective investments and reports regularly to the Board. Cash is held with a reputable bank with a high-quality external credit rating.

A further credit risk is the failure of a counterparty to a transaction to discharge its obligations under that transaction, which could result in a loss to the Company. The following table shows the maximum credit risk exposure.

Company Summary
The Board's Strategic Report
Governance Report
Independent Auditors Report
Financial Statements
Notice of AGM
Shareholder Information

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Credit risk exposure

Compared to the Statement of Financial Position, the maximum credit risk exposure is:

	2021 Statement of Financial Position £'000	2021 Maximum exposure £'000	2020 Statement of Financial Position £'000	2020 Maximum exposure £'000
Fixed assets – listed investments at fair value through profit and loss	**594,230**	**277,095**	444,851	262,672
Debtors – amounts due from the custodian, dividends and interest receivable	**3,856**	**3,856**	2,168	2,168
Cash at bank	**37,242**	**37,242**	33,641	33,641
	635,328	**318,193**	480,660	298,481

Capital management policies and procedures

The Company's capital management objectives are to to ensure that it will be able to continue as a going concern and to maximise the capital and income return to its equity. The Company's capital comprises its equity share capital and reserves.

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. Further details can be found in the Strategic Report.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting year. The Company is subject to externally imposed capital requirements:

- as a public company, the Company must have a minimum share capital of £50,000; and
- in order to pay dividends out of profits available for distribution, the Company must meet the capital restriction test imposed on investment companies by company law.

15 Related party transactions

With the exception of the management fee (as disclosed on page 21), and the Directors' fees and shareholdings (as disclosed in the Directors Remuneration Report on pages 37 and 38), there have been no related party transactions in the year ended 5 April 2021.

16 Company information

Capital Gearing Trust P.l.c. is a closed-ended investment company, registered in Northern Ireland No NI005574, with its Ordinary Shares listed on the London Stock Exchange. The address of the registered office is Murray House, Murray Street, Belfast BT1 6DN.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the fifty-eigth Annual General Meeting of the Company will be held at the offices of Smith & Williamson Investment Management Limited, 25 Moorgate, London EC2R 6AY on Tuesday, 6 July 2021 at 11.00 a.m. for the following purposes:

Ordinary business

To consider, and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the Report of the Directors and the audited financial statements for the year ended 5 April 2021.
2. To approve the Directors' Remuneration Report for the year ended 5 April 2021, together with the report of the auditor thereon.
3. To declare a final dividend of 45 pence per Ordinary share.
4. To re-elect Jean Matterson as a Director.
5. To re-elect Robin Archibald as a Director.
6. To re-elect Paul Yates as a Director.
7. To elect Wendy Colquhoun as a Director.
8. To re-appoint BDO LLP as auditors of the Company.
9. To authorise the Directors to determine the remuneration of the auditors.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 12 to 15 will be proposed as special resolutions:

Ordinary resolutions

Investment objective and investment policy

10. THAT the proposed investment objective and investment policy set out on page 25 of this Annual Report be and are hereby adopted as the investment objective and investment policy of the Company to the exclusion of all previous investment objectives and investment policies of the Company with immediate effect.

Directors' authority to allot shares

11. THAT the Directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal value of £1,226,496.75 (being one third of the issued share capital of the Company as at 20 May 2021, being the latest practicable date prior to the publication of this Notice, and representing 4,905,987 Ordinary shares of 25 pence each), provided that such authority shall expire at the conclusion of the AGM of the Company to be held in 2022, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

Directors' authority to disapply pre-emption rights

12. THAT the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 11 above or otherwise as if section 561 of the Act did not apply to any such allotment, and be empowered pursuant to section 573 of the Act to sell relevant equity securities (within the meaning of section 560 of the Act) if, immediately before the sale, such equity securities were held by the Company as treasury shares (as defined in section 724 of the Act ("treasury shares")), for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares, in connection with and pursuant to:

    a) an offer of equity securities open for acceptance for a period fixed by the Board where the equity securities respectively attributable to the interests of holders of Ordinary shares of 25 pence each in the Company (the "Ordinary shares") are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Board may consider necessary, appropriate or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

    b) otherwise than pursuant to sub-paragraph a) above, up to an aggregate nominal value of £735,898.00 or, if less, the number representing 20% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed; and

Notice of Annual General Meeting (continued)

this power shall expire at the conclusion of the AGM of the Company to be held in 2022, unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to make market purchases of the Company's own shares

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of Ordinary shares of 25 pence each in the Company (the "Ordinary shares"), provided that:

    a) the maximum aggregate number of Ordinary shares to be purchased shall be 2,206,222 or, if less, the number representing 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;

    b) the minimum price which may be paid for an Ordinary share shall be 25 pence;

    c) the maximum price, excluding expenses, which may be paid for an Ordinary share shall be an amount equal to the higher of:

        (i) 105% of the average of the middle market quotations for an Ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such purchase is made; and

        (ii) the higher of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out;

    d) the authority hereby conferred shall expire at the conclusion of the AGM of the Company to be held in 2022 unless such authority is renewed prior to such time; and

    e) the Company may enter into a contract to purchase Ordinary shares under this authority prior to the expiry of such which will or may be completed or executed wholly or partly after the expiration of such authority.

Articles of Association

14. THAT, with effect from the end of the AGM, the Articles of Association, produced to the meeting and signed by the Chairman for the purpose of identification are adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Company's existing Articles of Association.

Notice of general meetings

15. THAT a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board

PATAC Limited
Company Secretary

Registered Office:
Carson McDowell LLP
Murray House
Murray Street
Belfast BT1 6DN

21 May 2021

Location of Annual General Meeting

Smith & Williamson Investment Management Limited
25 Moorgate
London
EC2R 6AY
at 11.00 a.m. on Tuesday, 6 July 2021

Regrettably, in light of the ongoing Covid-19 pandemic, we are unlikely to be able to conduct the AGM as we would usually. When considering the arrangements for the AGM, the health, safety and welfare of our Shareholders and Directors has been a key consideration. With this in mind and conscious of current restrictions in place and the likely outlook for the coming weeks based on the Government's Covid-19 roadmap, we intend to hold the AGM as a closed meeting and on this basis, unfortunately shareholders and others will not be able to attend in person. However, the Board will continue to review our AGM arrangements in light of the latest Government regulations and guidance.

Shareholders are encouraged to vote in favour of the resolutions to be proposed at the AGM by form of proxy. If shares are not held directly shareholders are encouraged to arrange for their nominee to vote on their behalf.

Notice of Annual General Meeting (continued)

Notes

1. Members are entitled to attend, speak and vote at the AGM. A member entitled to attend, speak and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote instead of him/her. The proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to different shares.

   To have the right to vote at the AGM (and also for the purposes of calculating how many votes a member may cast on a poll) shareholders must be registered in the Register of Members of the Company no later than 6.30 p.m. on the day which is two days (excluding non-working days) before the day of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the meeting.

2. A form of proxy is enclosed with this notice, together with a pre-paid reply envelope. Completion and return of such form of proxy either by post or through www.investorcentre.co.uk/eproxy or submission of any CREST Proxy Instruction (as described in note 7 below) will not prevent a member from subsequently attending the AGM and voting in person if they so wish.

3. To be valid any form of proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed, or certified copy thereof, must be received by post or (during normal business hours only) by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or through www.investorcentre.co.uk/eproxy or no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.

4. A person who is not a member of the Company, but has been nominated by a member of the Company (the "relevant member") under section 146 of the Companies Act 2006 to enjoy information rights (the "nominated person"), does not have a right to appoint any proxies under note 1 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the AGM. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he/she may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights. It is important to remember that a nominated person's main contact in terms of their investment remains as the relevant member (or perhaps the custodian or broker who administers the investment) and a nominated person should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and holding (including any administration thereof). The only exception to this is where the Company writes to a nominated person directly for a response.

5. In the case of joint holders the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com).

   The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of the 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.

8. Any member attending the AGM has the right to ask questions. Given the risks posed by the spread of COVID-19 and following the related guidance received from the Government, shareholders are not expected to attend the AGM. However, the Board always welcomes questions from our shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance and the answers to these questions will be posted on our website after the AGM. In the circumstances shareholders are encouraged to submit questions to the Board using the email address company.secretary@capitalgearingtrust.com.

9. Resolutions 1 to 11 are proposed as ordinary resolutions which, to be passed, require more than half of the votes cast to be in favour of the resolution. Resolutions 12 to 15 are proposed as special resolutions which, to be passed, require at least three-quarters of the votes cast to be in favour of the resolution.

10. As at 20 May 2021 (being the last practicable date prior to the publication of this document) the total number of Ordinary shares of 25p each in issue and the total number of voting rights was 14,717,963.

11. Biographical details of the Directors seeking election and re-election can be found at page 19 of the report and financial statements.

12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.capitalgearingtrust.com.

13. The members of the Company may require the Company (without payment) to publish, on the website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the registered address of the Company.

Shareholder Information

Financial Reporting	Copies of the Company's Annual and Half-Year Reports may be obtained from the Company Secretary and electronic copies can be accessed on the Company's website www.capitalgearingtrust.com.
Contacting the Board	Any shareholders wishing to communicate directly with the Board should do so via the Company Secretary.
Capital Gains Tax	As at 31 March 1982 the adjusted value for capital gains tax purposes of the 25p Ordinary shares was 21.25p.
Financial Calendar (guide)	Annual Results — May Annual General Meeting — July Dividend Payment Date — July Half-Year Report — November
Frequency of NAV Publication	Daily
Share Price	The Company's share price can be found on the London Stock Exchange website by using the Company's TIDM code 'CGT' within the price search facility. The share price is also available on the Company's website.
How to Invest	Via your bank, stockbroker or other financial advisor.
Sources of Further Information	Company's website — www.capitalgearingtrust.com AIC — www.theaic.co.uk For registrar queries contact Computershare on 0370 873 5864.
Share Identification Codes	SEDOL: 0173861 ISIN: GB0001738615 BLOOMBERG: CGT:LN TIDM: CGT FT: CGT:LSE
Substantial Shareholdings	The Disclosure Guidance and Transparency Rules require shareholders of the Company simultaneously to inform the Company and the Financial Conduct Authority (the "FCA") of changes to major holdings in the Company's shares within two trading days of the change. For further information, please visit the FCA's website: www.fca.org.uk/markets/ukla/regulatory-disclosures/submit-investor-notification
Nominee Share Code	The Company will arrange for copies of shareholder documents to be made available on request to interested parties and operators of nominee accounts.
Disability Act	Access for the hard of hearing to the services of the registrar to the Company, Computershare Investor Services PLC, is provided by their contact centre's text phone service on 0370 702 0005. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

Shareholder Information (continued)

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to us. Further details of the Company's privacy policy can be found on the Company's website www.capitalgearingtrust.com.

Key Information Document

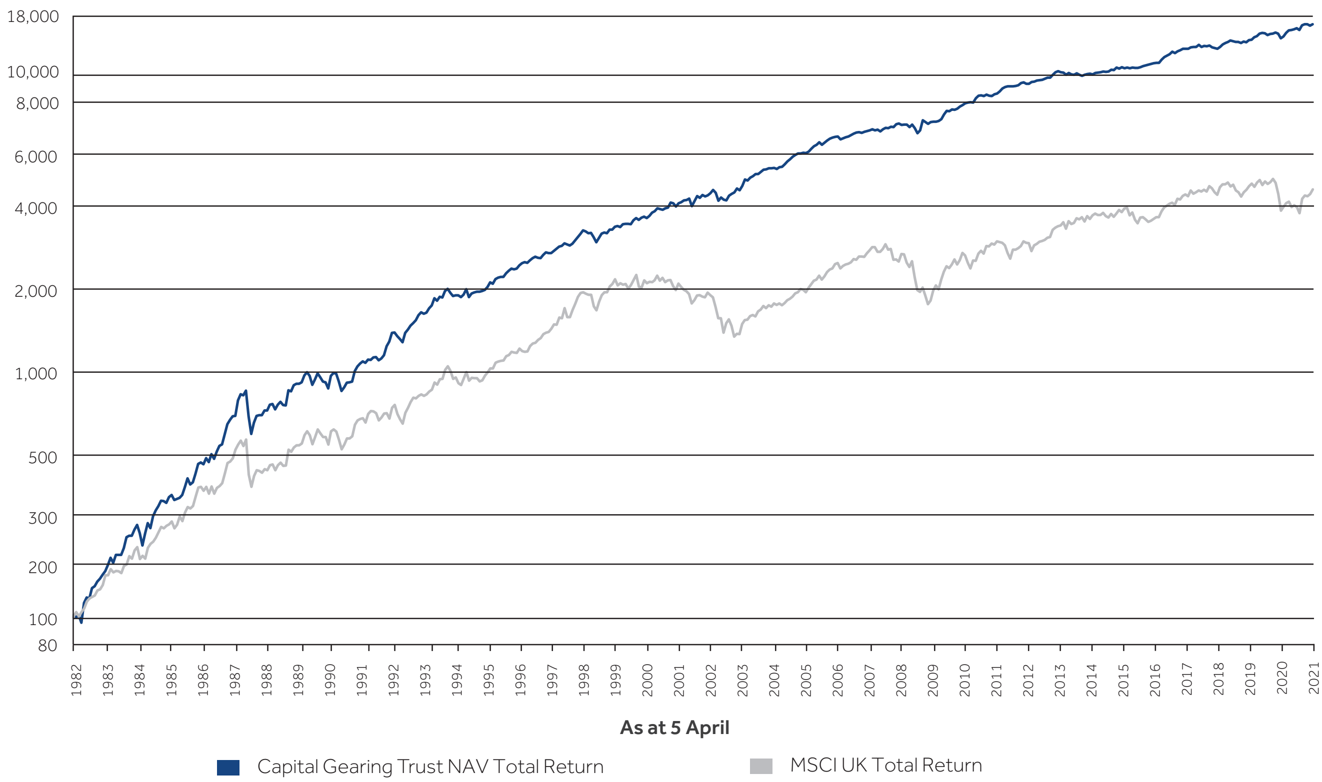
In line with the European regulations for packaged investment products, which came into force in January 2018, a key information document (KID) has been produced for the Company by its AIFM and is available on the Company's website. The KID, which is not the responsibility of the Company, is produced in a prescribed form, with little scope for deviation. Investor's should note that the procedures for calculating risks, costs and potential returns contained in the KID are prescribed by law. These may not reflect the expected returns for the Company and anticipated returns cannot be guaranteed. The costs disclosed in the KID include transaction charges and look through costs, being the operating costs of investee funds, in addition to the ongoing charges of the Company.

Non-Mainstream Pooled Investment Rules

The Company's shares are 'excluded securities' for the purposes of the rules relating to non-mainstream pooled investment products. This means they can be recommended by independent financial advisors to their ordinary retail clients, subject to normal suitability requirements.

Net asset value performance 1982 to 2021

Based on the Company's NAV per Ordinary share, the graph below illustrates the total return to investors in the Company since 1982, compared with the total return on the MSCI UK Index*. Each measure is rebased to 100 in 1982.



*Source: CG Asset Management Limited

Shareholder Information (continued)

AIFMD status

The Company is an Alternative Investment Fund ("AIF") as defined by the AIFMD and CG Asset Management is the Company's Alternative Investment Fund Manager ("AIFM"). CG Asset Management is authorised as a Full Scope UK AIFM.

Although the investment policy of the Company permits gearing, including the use of derivatives, and the full scope status of the AIFM now permits gearing, the Board has no current intention to employ gearing.

Alternative Investment Fund Managers Directive ('AIFMD')

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, CG Asset Management, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ending 30 April 2020) are available from CG Asset Management on request.

Leverage, for the purposes of the AIFM Directive, is any method which increases the company's exposure to stockmarkets whether through borrowings, derivatives, or any other means. It is expressed as a ratio of the company's exposure to its NAV. In summary, the gross method measures the company's exposure before applying hedging or netting arrangements. The commitment method allows certain hedging or netting arrangements to be offset. As at 5 April 2021 and 2020, the company had no hedging or netting arrangements. The Company's maximum and actual leverage levels at 5 April 2021 are shown below:

	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	100%	100%

The investor disclosure document and all additional periodic disclosures required in accordance with the requirements of the FCA Rules implementing the AIFMD in the UK are made available on the Company's website (www.capitalgearingtrust.com).

Beware of Share Fraud

In recent years there has been an increase in the number of increasingly sophisticated but fraudulent financial scams. This is often by a phone call or email which can originate from outside UK. Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These are typically from overseas 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares.

Shareholders may also be advised that there is an imminent offer for the Company, and the caller may offer to buy shares at significantly above the market price if an administration fee is paid. This is known as 'boiler room fraud'.

If you are contacted, we recommend that you do not respond with any personal information, including access to financial information or bank accounts. If you are in any doubt you should seek financial advice before taking any action.

You can find more information about investment scams at the Financial Conduct Authority (FCA) website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Glossary of Terms and Definitions

Alternative Performance Measure

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. The Company's alternative performance measures are NAV total return, share price total return, premium/discount to NAV and ongoing charges (OCR). Further information is provided below. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment trust.

Drawdown

For the purposes of the Company, a drawdown is a peak-to-trough decline in the Company's portfolio value during a specific period. It is usually quoted as the percentage betwen the peak and subsequent trough.

Earnings per share

The earnings per share is calculated by dividing the net return attributable to equity shareholders by the weighted average number of Ordinary shares in issue.

Net Asset Value or NAV

The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.

Ongoing Charges

The Company publishes its ongoing charges ('ongoing cost ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses expressed as a percentage of the average daily net assets during the year.

	2021 £'000	2020 £'000
Investment Management fee	**2,535**	2,139
Administrative expense	**612**	545
Fixed element of DCP fee	**30**	30
Ongoing charges	**3,177**	2,714
Average net assets	**551,147**	418,310
Ongoing charges ratio (excluding costs of underlying funds)	**0.58%**	0.65%
Ongoing charges ratio (including costs of underlying funds)	**0.90%**	0.91%

Premium/Discount to NAV

The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.

			2021	2020
NAV per share	a		**4,590.2p**	4,084.2p
Share price	b		**4,715.0p**	4,190.0p
Premium	c	c=(b-a)/a	**2.7%**	2.6%

Total Return

Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend.

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