CAPITAL GEARING TRUST P.L.C.

Annual Report and Accounts

For the year ended 5 April 2013

Company Summary

- **Investment objective**
  To achieve capital growth in absolute terms principally through investment in quoted closed-ended and other collective investment vehicles, invested in equities or property, with a willingness to hold cash, bonds, index-linked securities and commodities when appropriate.

- **Continuation of the Company**
  It is the Board's intention to continue with the commitment to offer shareholders the opportunity to realise their investment in the Company, at a price that fairly reflects the underlying net asset value of their investment, with the next opportunity expected to be in 2015.

- **Capital structure and voting rights**
  The share capital comprises Ordinary shares of 25 pence each. As at 5 April 2013, 2,921,906 shares were in issue (5 April 2012: 2,919,906). Each Ordinary share has one vote.

- **Investment management, custodian and portfolio administration**
  Investment management is carried out by CG Asset Management Limited under an agreement dated 27 April 2001. Custodial services are carried out by The Northern Trust Company under an agreement dated 22 September 2011. Portfolio administration is carried out by Northern Trust Global Services Limited under an agreement dated 23 September 2011.

- **Company secretarial and accounting services**
  Company secretarial and accounting services are provided by TMF Corporate Secretarial Services Limited and TMF Management (UK) Limited, respectively.

- **Annual General Meeting**
  The Annual General Meeting of the Company will be held at the offices of Smith & Williamson Investment Management Limited, 25 Moorgate, London EC2R 6AY at 11.00 a.m. on Friday, 19 July 2013.

- **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.

Contents

Financial Highlights

	5 April 2013	5 April 2012	% Change
Share Price	3,425.0p	3,015.0p	+13.6
Net asset value per share	3,198.9p	2,898.6p	+10.4
Premium	7.1%	4.0%	–
Shareholders' funds	£93.5m	£84.6m	+10.5
Market capitalisation	£100.1m	£88.0m	+13.8
Ongoing charges percentage*	1.26%	1.31%	–
Dividend per share:			
Ordinary	16.00p	15.75p	+1.6
Special	0.00p	2.75p	–
	16.0p	18.5p	-13.5

* Ongoing charges calculation prepared in accordance with the recommended methodology of the Association of Investment Companies

Performance

Performance in the 10 years to 2013

5 April	Net assets £'000	NAV per 25p share p	Appreciation on previous year %	Cumulative appreciation from 5 April 2003 %	FTSE Equity Investment Instruments Index* Index	Appreciation on previous year %	Cumulative appreciation from 5 April 2003 %
2004	40,656	1,475.8	20	20	3,588.5	36	36
2005	46,612	1,692.0	15	37	4,052.0	13	53
2006	54,136	1,937.0	14	57	5,651.1	39	114
2007	56,576	2,024.2	5	64	6,032.7	7	128
2008	59,432	2,126.4	5	73	5,765.2	(4)	118
2009	59,404	2,125.4	–	73	3,824.2	(34)	45
2010	68,962	2,467.4	16	100	5,592.2	46	112
2011	75,550	2,652.8	8	115	6,230.4	11	136
2012	84,637	2,898.6	9	135	5,931.8	(5)	125
2013	93,469	3,198.9	10	160	6,683.5	13	153

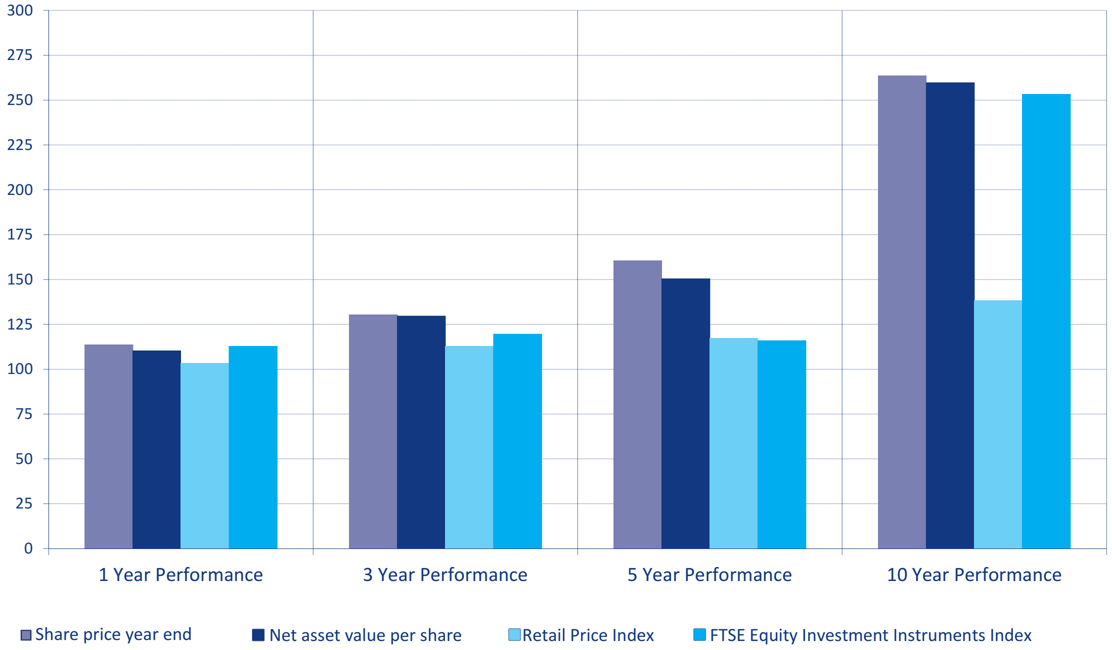
The net assets and net asset value ("NAV") per share for 2004 to 2005 have been restated for the changes in accounting policy in 2006.

*Source: CG Asset Management Limited

Performance Graphs

Performance over the last 10 years

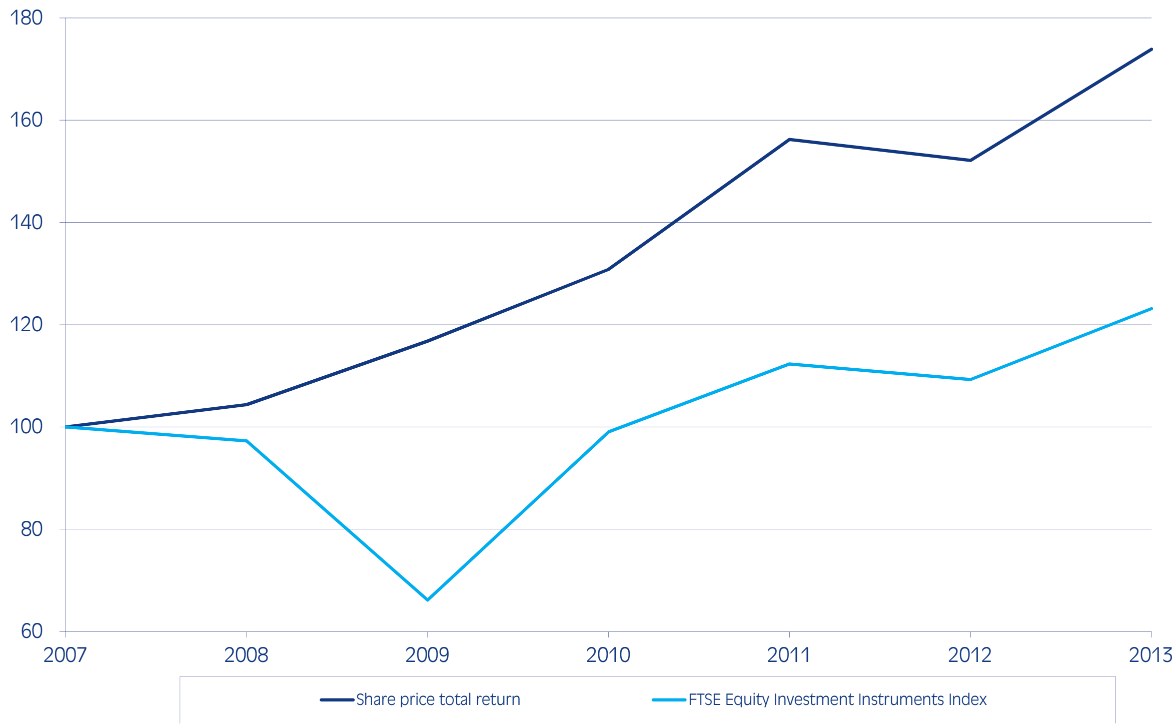
The graphs below show the performance of the Company's NAV per share and share price against the FTSE Equity Investment Instruments Index* and the Retail Price Index over 1, 3, 5 and 10 years to 5 April 2013. All figures are rebased to 100 at the start of the measurement period.



*Source: CG Asset Management Limited

Share price total return performance 2007 to 2013

Based on mid-market prices, the graph below shows the total return to investors over the past six years (assuming all dividends received were reinvested without transaction costs), compared with the total return on the FTSE Equity Investment Instruments Index*. Each measure is rebased to 100 in 2007.

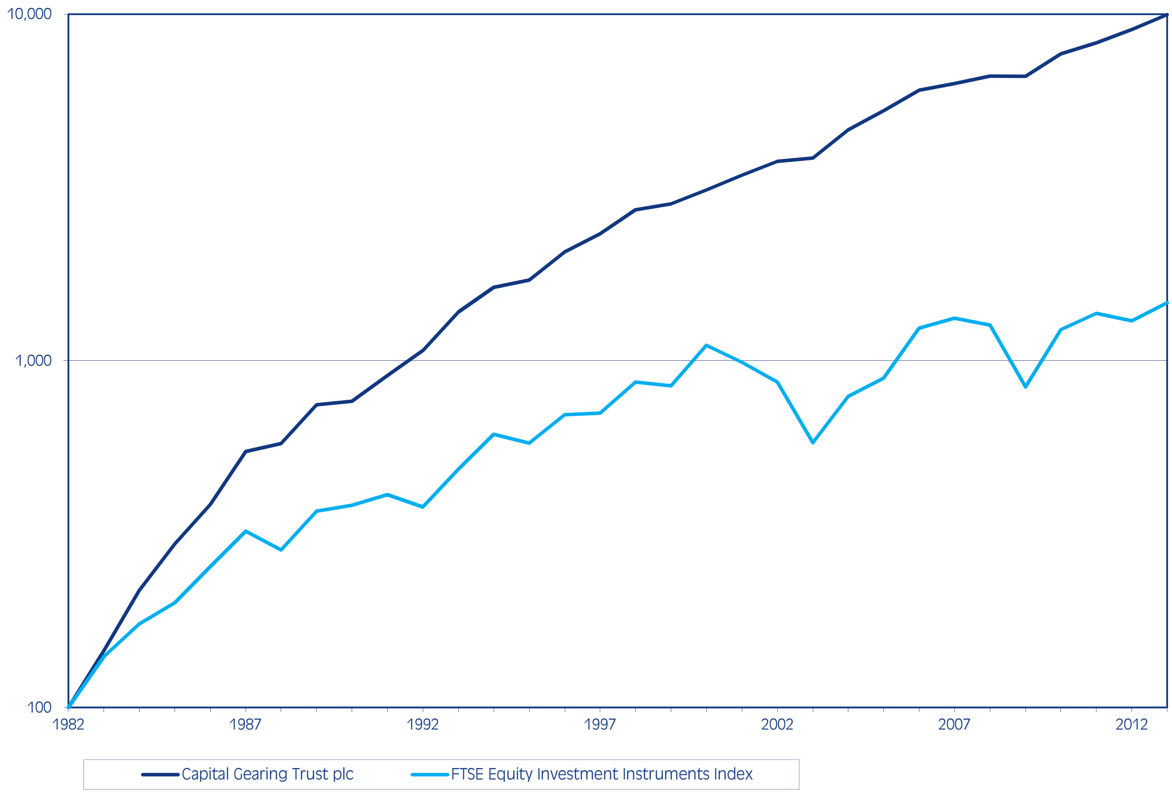


* Source: CG Asset Management Limited

Performance Graphs (continued)

Net asset value performance 1982 to 2013

Rebasing each of the NAV per share of the Company and the FTSE Equity Investment Instruments Index* to 100 in 1982, the subsequent performance of the Company's NAV per share and the FTSE Equity Investment Instruments Index compare as follows:



* Source: CG Asset Management Limited

Directors and Managers

Directors

Mr T R Pattison Chartered FCSI (62) Chairman
Appointed a director in 1985 and chairman with effect from 1 January 2005. Mr Pattison is also a member of the Company's Audit Committee. Mr Pattison has over 40 years' experience in managing both private client and institutional investment portfolios and is currently an executive director and chairman of Fieldings Investment Management Limited.

Mr G A Prescott BA, FCA (68)
Appointed a director in 2010. Mr Prescott is also chairman of the Company's Audit Committee. Mr Prescott is a chartered accountant and until his retirement in 2009 was Deputy Group Chief Executive of the Ecclesiastical Insurance Group. He is currently chairman of Giles Insurance Brokers and a member of the board of JP Morgan Cazenove Pension Trustee Company. He is also a director of Mapfre USA and Commerce Insurance (US) and a trustee of M&G Charibond and Charifund. Mr Prescott is also a member of the Court and of the Finance & Investment Committee of the Worshipful Company of Coopers.

Mr R P A Spiller MA (Oxon), FCSI (65)
Appointed a director in 1986. Mr Spiller was a partner in Cazenove & Co until 30 April 2001. He is now a director and Chief Executive of CG Asset Management Limited.

Mr E G Meek MSc (65)
Appointed a director in 2004. Mr Meek is also a member of the Company's Audit Committee. Mr Meek is a former investment banker and stockbroker and was previously an executive director of Smith New Court plc and chairman of SPI Lasers plc. He is currently a non-executive director of Filtronic plc and of King's College Hospital NHS Foundation Trust.

Managers

CG Asset Management Limited
Established in 2001. The company currently has five clients: Capital Gearing Trust plc, the CG Portfolio Fund Limited, the CG Portfolio Fund plc Real Return Fund, the CG Portfolio Fund plc Dollar Fund and the CG Portfolio Fund plc Capital Value Fund with total funds under management of £1.7 billion. The portfolios are run on a long-only basis with a low-risk style focusing on achieving absolute returns.

Custodian and administrator

Northern Trust
The Northern Trust Company was appointed by the Board in September 2011 to provide portfolio custodial services. Northern Trust Global Services Limited was appointed by the Board in September 2011 to provide portfolio administration services. Founded in 1889, Northern Trust is a leading asset manager and asset servicer to institutional and private clients worldwide.

Company secretary

TMF Nominees Limited
Appointed as company secretary in 2007. TMF Nominees Limited is part of the TMF Group which is a global independent provider of accounting and corporate secretarial services, with over 4,000 professionals based in more than 100 offices in over 75 jurisdictions.

Chairman's Statement

Overview
I am very pleased to be able to report on another year of positive capital growth. As at 5 April 2013, the Company's total net asset value ("NAV") per share was 3,198.9p, representing an increase of 10.4% to an all-time year-end high. Thus, the stated objective of achieving capital growth in absolute terms has once again been met.

Despite maintaining a relatively defensive asset allocation position throughout the year, the performance has broadly matched that of the FTSE All-Share Index and is considerably better than the capital return on the index of UK Government bonds over the same period.

The current asset allocation continues to reflect a policy of capital preservation as well as achieving sustainable long-term growth. As at the year end, fixed-interest, index-linked securities and cash represented 57.0% of total assets (2012: 60.7%) with a further 15.6% held in zero dividend preference shares (2012:13.9%).

Dividend
Earnings per share for the period amounted to 15.8p compared to 18.8p last year, reflecting the composition of the Company's portfolio. Last year, a total distribution of 18.5p was paid. This was made up of 15.75p plus a special dividend of 2.75p. At this year's Annual General Meeting (the "AGM"), the Board will recommend a distribution of 16.0p. There will be no special dividend this year.

Annual General Meeting
This year, the AGM will be held in London at the offices of Smith & Williamson Investment Management Limited on Friday 19 July 2013 at 11.00 a.m. The notice convening the fiftieth AGM of the Company is set out at the end of this document and I and the rest of the Board look forward to meeting you then. As in previous years, after the formal business of the meeting has concluded, our investment manager will be making a short presentation on the outlook for markets and the Company's investments.

Issuance and repurchase of shares
The Board continues to operate an informal discount/premium control mechanism whereby major market supply and demand imbalances are satisfied by either the issuance of shares at a premium to NAV or buying back shares at a discount. The Board believes that there should be no significant discount to NAV, and seeks to restrain the premium to 15%. At the last AGM shareholders approved the necessary resolutions to enable these policies to be renewed and similar resolutions will again be put forward at this year's AGM.

During the financial year 2,000 ordinary shares were issued as follows: 2,000 shares with an aggregate nominal value of £500 were issued to Winterflood Securities Limited at a price per share of 3,395.7p and for a total consideration of £67,914.40. The market price of the shares on 26 September 2012, which was the date on which the terms of issue were fixed, was 3,388.0p per share, compared with the then prevailing NAV of 2,965.0p.

The Board
This year Mr Spiller, Mr Meek, Mr Prescott and I will all retire at the AGM and offer ourselves for re-election in accordance with the Company's articles of association and the guidelines for good practice set out in the Association of Investment Company ("AIC") Code of Corporate Governance and the UK Corporate Governance Code. The skill sets of the current individual Board members are highly complementary and with their support and input, the Company has produced consistently positive returns during periods of extreme volatility in financial markets. Moreover, against a backdrop of ever rising regulatory and administrative requirements, the Board has, to the best of its ability, controlled costs, maintained service levels and demonstrated its willingness to change external suppliers if deemed to be in the best interest of shareholders. In summary, we are a Board of high integrity and absolutely committed to meeting shareholders' expectations.

Further details in respect of each director's retirement, evaluation and re-election can be found on pages 17-18.

Continuation of the Company
As stated in previous reports, the Board remains committed to offering shareholders the periodic opportunity to realise their investment in the Company. This commitment was last honoured in November 2008 by way of a sale and purchase facility and it is the Board's intention to next offer shareholders a similar opportunity to realise their investment in 2015. The offer price will be close to NAV and consideration will be given to rolling on a similar commitment for a further period.

Regulatory changes
Regulations governing investment trusts changed in 2012. One change of particular relevance to the Company is the previous requirement for a trust's articles of association to contain a prohibition on distributing capital profits by way of a dividend. The Company's current articles reflect the previous regime and contain a prohibition on capital distributions. The directors have no present intention of distributing capital profits, but recommend the alignment of the Company's constitution with the new regulations. Accordingly a special resolution will be put to shareholders at the forthcoming AGM to amend the articles to remove this prohibition, and further details can be found in the directors' report on page 20.

The Alternative Investment Fund Managers Directive (the "AIFMD") is due to be transposed into UK law on 22 July 2013. Investment companies such as ours which are already responsible for the management of an alternative investment fund will have until 22 July 2014 to be AIFMD-compliant. In particular, this will involve analysis of the structuring and marketing implications for the business and tackling the regulatory obligations in the most cost-efficient manner possible for shareholders. We are awaiting the outcome of the latest HM Treasury and Financial Conduct Authority consultations and the final text of the rules that will apply as a result of the implementation of AIFMD. The Financial Conduct Authority's proposals on the regulation of smaller AIFs are clearly of great interest and we are looking forward to settlement of the final rules.

The Retail Distribution Review presents a long-term opportunity for the investment company industry. Since the start of this year, commissions to financial advisors are in most cases no longer allowed, putting trusts such as ours on more equal terms with open-ended funds. An AIC study has found that nearly three quarters of advisers plan to increase their clients' allocation to investment companies over the next three years. The investment community is becoming increasingly appreciative of investment trusts' low-cost active management and proven performance record. To support greater understanding of the Company, our full portfolio holdings are disclosed in this Annual Report on pages 7-9.

Outlook
In the developed economies, the easy monetary policies being adopted by central banks have resulted in extraordinarily low levels of interest rates being maintained for far longer than in previous economic cycles. Negative real returns and for the most part negligible income yields available on cash deposits and government bonds have forced both savers and investors alike to increase their risk tolerance in the search for better returns. It is therefore no surprise that equity markets have responded positively to an increase in investor demand. However as alluded to in the Investment Manager's Report, following strong rises equity valuations are now looking far less attractive and longer-dated government bonds overpriced.

Against the current background, we believe that our aim to deliver a consistent absolute return for shareholders will best be met by continuing to hold a broad mix of complementary assets and special situations.

Mr T R Pattison
Chairman
28 May 2013

Investment Manager's Report

Review

Over the year the Company's net asset value increased by 10.4%, to a new high, consistent with the absolute return objective. In comparison, the FTSE All-Share increased by 10.6% and the index of UK Government bonds increased by 2.8%.

The European Central Bank President, Mario Draghi, made a speech in July 2012 when he pledged to "do whatever it takes" to preserve the Euro. This turned out to be a catalyst for a strong rally in risk assets as concerns over a financial crisis associated with a Euro split melted away. A wall of printed money from every major central bank ensured all assets markets rose in tandem. That an equity market rally occurred against a backdrop of unrelenting bad economic news from the Eurozone, moderate growth in the US and signs of cooling in China, demonstrates how far printed money has dislocated capital markets from the underlying economic fundamentals.

Against this volatile backdrop the Company remains broadly spread and defensively positioned. The largest weighting within the portfolio is to index-linked bonds (44% of the portfolio at year end). Whilst not quite keeping up with the equity market, index-linked bonds were strong performers in the year. The largest weighting in the portfolio is to US Treasury Inflation Protected Securities (24% of the portfolio at year end) which benefited both from falling real yields and the strengthening of the Dollar relative to Sterling. Over the medium term we anticipate further gains from the strengthening of the real Dollar exchange rate relative to Sterling. However we have shortened the duration of the US index-linked portfolio given the limited potential for further falls in nominal interest rates.

UK index-linked bonds (10% of the portfolio at year end) also performed strongly, notwithstanding a weak first half of the year. The first half weakness was due to uncertainty caused by a consultation on the future construction of the Retail Price Index, the inflation index to which UK index-linked bonds are attached. The Company increased its exposure to UK index-linked bonds during the consultation period and benefited from a strong rebound in the market after the final recommendation was for no change.

Equity prices remain elevated on fundamental value measures such as Cyclically Adjusted PE and Tobin's Q. As a result the allocation to equities, which is through listed investment trusts, remains relatively low (27% at the year end). Relative to the broader equity markets the Company's equity holdings performed well. The largest equity holding, North Atlantic Smaller Companies Investment Trust plc had a very strong year. This specialist trust that combines activist investing and private equity benefited from strong NAV growth and a narrowing discount. There were corporate actions in a number of other significant holdings which helped the strong performance. Advance Developing Markets Fund Ltd announced a programme of tender offers, redeeming shares at a premium to the share price. Absolute Return Trust Ltd, a hedge fund of funds, announced its intention to liquidate which led to a material narrowing of the discount. Investors in Global Real Estate Ltd announced a new discount control policy which caused a marked rise in the share price.

The Company's holdings in zero dividend preference shares and convertible debt (16% of the portfolio at year end) delivered solid returns, albeit at lower rates than the investment trust equities. There are pockets of this specialist market that offer compelling risk adjusted returns with low correlation to other asset classes.

Outlook

Financial repression is in full swing. Real yields on conventional and index-linked bonds are negative in all the high quality government bond markets and that poor prospective rate of return is reflected in the valuation of all financial assets. Nominal returns may be somewhat better, because the outlook for inflation is deteriorating. Central banks continue their steady move towards ever greater monetary accommodation, with the latest moves by Japan reasonably characterised as desperate. It is likely that central banks will achieve the higher rates of price increases than is their revealed preference, but they might find that containing inflation at the desired levels is more difficult, especially in the UK or the US.

That is because, although a number of difficult strategies have been developed over the years including the Taylor rule and money supply targeting adopted by Paul Volcker in the US, all involve raising short-term interest rates above the level of inflation at the time. With debt in households and commercial property at current ratios to income and assets, that would devastate the residential and commercial real estate markets and threaten the integrity of the banking system. The price for controlling inflation would be too high and would remain too high until a sustained period of inflation had increased the nominal denominator by enough to reduce debt ratios. Only when balance sheets are much stronger can inflation be attacked with vigour.

Of course, in one sense the knowledge that short-term interest rates will remain low is helpful to the valuation of equities. Certainly the absence of any meaningful return on cash has encouraged asset allocation to move cash into equities over the last nine months. However, the outlook for long interest rates is not nearly so sanguine. In theory, central banks will be selling the bonds that they have bought back to the private sector. This is to avoid the explosive inflation that is otherwise implied by their current balance sheets as velocity returns to normal. In practice this, too, will be difficult to achieve. The mere suspension of QE will lead to steepening pressures on the yield curve as the private sector resumes the burden of financing high fiscal deficits. The effect of adding sales by the central bank of a further, say, 5-10% of GDP would be dramatically greater. In the US in particular, that matters because so much of the mortgage market is matched to 30-year rates, but it would matter in every financial market because of its impact on the discount rate in the valuation of everything from property, through corporate bonds, to equity. One way to think about equities is as an asset class that is sustainable at levels well above fundamental value, as suggested by the cyclically adjusted p/e and ratio to book values, so long as the current interest rate structure prevails. When interest rates normalise, then valuations will normalise too. The timing, of course, remains elusive. Earnings momentum, however, seems to be slowing rapidly – any progress in stock markets from here may have to rely exclusively on higher valuations.

Faced with such a challenging set of investment opportunities, the target in the short term is to preserve the real value of capital after inflation and tax; better opportunities will eventually offer themselves. A broad spread of assets still seems appropriate. Fortunately the special situations that have allowed the equity and other risk asset investments of the Company to generally outperform equity markets are still presenting themselves.

Mr R P A Spiller
28 May 2013

Portfolio Analysis

Distribution of investment funds of £93,481,000 (2012: £84,510,000)

	UK %	North America %	Europe %	Elsewhere %	**2013 Total %**	2012 Total %
Investment Trust Assets:						
Ordinary shares	9.4	4.3	3.3	10.4	**27.4**	25.4
Zero dividend preference shares	15.6	–	–	–	**15.6**	13.9
Other Assets:						
Index-linked	9.5	24.1	8.7	1.6	**43.9**	46.9
Fixed interest	4.9	–	5.1	–	**10.0**	11.3
Cash	2.8	0.1	0.2	–	**3.1**	2.5
	42.2	28.5	17.3	12.0	**100**	100

Investments of the Company

	2013 £'000	2012 £'000
Investment Trust Ordinary Shares:		
North Atlantic Smaller Companies	**3,097**	2,244
ETFS Metal Securities (physical gold)	**1,705**	1,823
Prospect Japan Fund	**1,394**	1,055
Mithras Investment Trust	**1,288**	1,110
Renewable Energy Generation	**1,169**	951
TR Property Investment Trust Sigma	**1,130**	804
Jupiter Green Investment Trust	**1,125**	786
Advance Developing Markets	**1,000**	1,575
Private Equity Investor	**935**	938
Strategic Equity Capital	**927**	632
Impax Asian Environmental Markets	**873**	–
Greencoat UK Wind	**808**	–
Blackrock Absolute Return Strategies	**752**	–
Blackrock New Energy Investment Trust	**737**	76
Invesco Perpetual UK Smaller Companies Investment Trust	**707**	462
Oryx International Growth Fund	**510**	410
Aurora Investment Trust	**493**	234
Signet Global Fixed Income Strategies	**467**	732
Japan Residential Investment Company	**450**	268
Dexion Absolute GBP	**429**	–
Thames River Multi Hedge	**395**	–
EP Global Opportunities Trust	**394**	–
Miton Worldwide Growth Investment Trust	**392**	358
Goldman Sachs Dynamic Opportunities	**378**	–
Invesco Leveraged High Yield	**376**	–
Absolute Return Trust	**364**	271
Montanaro European Smaller Companies Trust	**276**	–
Investors in Global Real Estate	**235**	733
Shape Capital	**230**	182
Marwyn Value Investors	**215**	177
Fidelity Japanese Values	**214**	–
Dexion Absolute USD	**203**	–
Candover Investments	**196**	203
Dexion Trading	**189**	–
EPE Special Opportunities	**173**	130
Alternative Investment Trust	**165**	271
Hansa Trust 'A' Shares	**152**	207
Acencia Debt Strategies	**140**	–
Active Capital Trust	**118**	277
Tapestry Investment	**102**	–
Alternative Liquidity Solutions (previously Saltus European Debt Strategies)	**99**	317
Crystal Amber Fund	**95**	324
Value & Income Trust	**94**	–

Portfolio Analysis (continued)

Investments of the Company continued

	2013 £'000	2012 £'000
Investment Trust Ordinary Shares continued:		
Atlantis Japan Growth Fund	**81**	641
JP Morgan Income & Growth	**68**	34
Throgmorton Trust	**56**	–
Cambium Global Timberland	**53**	–
Henderson European Focus Trust	**44**	33
North American Banks Fund	**37**	38
Close European Accelerated Fund	**16**	16
Henderson Private Equity Investment Trust	**10**	61
Equity Partnership	**9**	47
Henderson Global Property	**8**	8
Thompson Clive Investments	**3**	–
Prospect Epicure J-REIT Value Fund	**2**	2
Vision Opportunity China Fund	**1**	25
SR European Investment Trust	**–**	699
London & St Lawrence Investment Company	**–**	612
Standard Life UK Smaller Companies	**–**	349
The European Investment Trust	**–**	306
Advance Frontier Markets Fund	**–**	273
F&C Private Equity Trust 'A' Shares	**–**	266
Invesco Perpetual Select Trust – UK Equity Share Portfolio	**–**	182
F&C Private Equity Trust 'B' Shares	**–**	107
Invesco Perpetual Select Trust – Global Equity Income Share Portfolio	**–**	98
Cazenove Absolute Equity	**–**	60
Invesco Perpetual Select Trust – Managed Liquidity Share	**–**	47
Eredene Capital	**–**	43
Second London American Trust	**–**	13
Fidelity Japanese Values Subscriber Shares	**–**	2
Close Finsbury Eurotech Trust	**–**	1
	25,579	21,513

	2013 £'000	2012 £'000
Investment Trust Zero Dividend Preference Shares:		
M&G High Income Investment Trust	**2,368**	1,378
EW & PO Finance	**2,148**	2,014
Aberforth Geared Income Trust	**1,827**	1,160
JP Morgan Private Equity 2013	**1,190**	555
Electra Private Equity	**1,114**	1,060
JP Morgan Income & Capital Trust	**948**	559
Premier Energy & Water Trust	**928**	627
Utilico Investments 2018	**908**	–
F&C Private Equity	**833**	786
Utilico Finance 2016	**786**	706
Jupiter Second Split Trust	**731**	635
Acorn Income Fund 2017	**289**	265
NB Private Equity Partners	**266**	–
JP Morgan Private Equity 2017	**203**	214
Utilico Finance 2012	**–**	1,363
Tapestry Investment	**–**	228
Aberdeen Development Capital 2010	**–**	80
Aberdeen Development Capital 2012	**–**	80
	14,539	11,710

Investments of the Company continued

	2013 £'000	2012 £'000
Index-Linked Securities:		
USA Treasury 2.0% 2026	**4,986**	4,406
USA Treasury 1.75% 2028	**4,487**	4,740
USA Treasury 1.375% 2018	**3,590**	3,342
UK Treasury 0.125% 2024	**3,218**	–
Sweden (Kingdom of) 0.5% 2017	**2,859**	2,627
USA Treasury 0.625% 2021	**2,845**	2,541
UK Treasury 1.25% 2027	**2,742**	3,881
Sweden (Kingdom of) 3.5% 2028	**2,595**	3,230
USA Treasury 0.125% 2023	**2,129**	–
UK Treasury 0.125% 2029	**2,003**	2,743
Germany (Federal Republic) 0.1% 2023	**1,851**	1,699
Japan (Govt of) 1.4% 2018	**1,532**	1,669
USA Treasury 2.375% 2027	**1,192**	1,051
Canada (Govt of) 4.0% 2031	**1,171**	1,141
USA Treasury 1.125% 2021	**1,019**	920
UK Treasury 1.875% 2022	**899**	–
Sweden (Kingdom of) 4.0% 2020	**848**	792
USA Treasury 1.375% 2020	**832**	760
USA Treasury 0.125% 2022	**182**	161
USA Treasury 1.625% 2018	123	115
France (Govt of) 3.4% 2029	**–**	1,548
USA Treasury 3.625% 2028	**–**	1,310
Germany (Federal Republic) 1.75% 2020	**–**	976
	41,103	39,652

	2013 £'000	2012 £'000
Fixed-Interest Securities:		
Switzerland (Govt of) 3.0% 2018	**3,975**	3,950
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	**804**	728
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2016	**796**	784
SVG Capital 8.25% Convertible 2016	**647**	606
Enterprise Inns 6.5% 2018	**530**	440
Switzerland (Govt of) 2.5% 2036	**446**	439
Aberdeen Asian Smaller Companies 3. 5% 2019	**366**	–
Switzerland (Govt of) 2.0% 2014	**360**	360
EPE Special Opportunities Convertible Loan Notes	**349**	349
Standard Life UK Smaller Companies 3.5% 2018	**268**	–
Blackrock Latin American 3.5% 2015	**244**	–
Edinburgh Dragon Trust 3.5% 2018	**205**	262
The Mercantile Investment Trust plc 6.125% 2030	**158**	152
Scottish American 8.0% 2022	**182**	198
Germany (Federal Republic) 4.75% 2028	**–**	1,051
Electra Private Equity 5.0% 2017	**–**	224
	9,330	9,543
Total investments	**90,551**	82,418
Cash held by the custodian awaiting investment	**2,930**	2,092
Total investment funds	**93,481**	84,510

Report of the Directors

The directors present their Report, Business Review, Corporate Governance Statement and the audited financial statements of the Company for the year ended 5 April 2013.

a) Status

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust 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. A breach of Chapter 4 of Part 24 of the CT Act could lead to the Company being subject to capital gains tax on its investments. Approval by HM Revenue and Customs of the Company's status as an investment trust has been received for the year to 5 April 2012. The directors are of the opinion that the Company has met the conditions set out in Chapter 4 of Part 24 of the CT Act and continues to conduct its affairs in a manner which will enable it to continue to meet these conditions. The Board, in conjunction with the investment manager, reviews compliance with Chapter 4 of Part 24 of the CT Act, in addition to other financial and regulatory requirements. The Company does not fall within the definition of a 'close company' under the CT Act.

b) Business Review and principal risks

The Business Review has been prepared in accordance with the requirements of section 417 of the Companies Act 2006. A review of the business of the Company, recent events and outlook, the year's activities and an indication of future developments in the future of the Company are given in the Chairman's Statement and Investment Manager's Report, which form part of this Report of the Directors by reference. The principal risks and uncertainties facing the Company are detailed below and in the notes to the financial statements. The very nature of forward-looking statements involves uncertainty, since events beyond the control of the Company may affect actual results. Performance and results may therefore differ from the plans and objectives of the Company; neither the directors nor the Company take responsibility for matters beyond their control.

Investment objective

The investment objective and policy are monitored to ensure continued investor interest and for consideration of continuation of the Company in its present form. Investment performance is monitored and the investment manager presents a report to each Board meeting for consideration and discussion.

Premium/Discount level

The Board regularly reviews the level of premium/discount and, in the event of prolonged trading at a discount, consideration is given to enhancement strategies for the share price. The Board operates an informal discount control mechanism and will buy in shares as and when necessary to manage the discount at an appropriate level.

Stock price

Uncertainty of future stock prices presents a risk in relation to potential losses on market positions held. The Board, with the investment manager, consider asset allocation on a regular basis to minimise potential risks where possible.

Register of members

The Board reviews all large transactions and periodically considers a full shareholder analysis. In the event of activist shareholders being attracted onto the register, the Board would be able to consider quickly whether any action was required.

Other risks

Risks associated with the Company's financial instruments include market price, interest rate, foreign currency and credit; information relating to such risks is given in note 19 to the financial statements on pages 34-38. Other risks are identified and managed by the Company's internal control and risk management system, which is summarised on page 16.

Social, community and environmental matters

The Company does not have any employees and has limited direct impact on the environment. The Company invests primarily in closed-ended and other collective investment vehicles with the objective of achieving capital growth. The sectors chosen do not generally raise ethical issues. The Board monitors and is satisfied with the underlying investee companies' policies to act with due regard to community, welfare and environmental factors. The Company aims to conduct itself responsibly, ethically and fairly and has sought to ensure that CG Asset Management Limited's ("CGAM's") management of the portfolio of investments takes account of social, environmental and ethical factors where appropriate.

Political and charitable contributions

No contributions were made during the year for political or charitable purposes (2012: nil).

Key performance indicators ("KPIs")

The Board monitors numerous KPI indices and ratios for the purpose of assessing and reporting investment performance. The chairman, in his statement, summarises performance of the Company's net asset value ("NAV") per share for the year to 5 April 2013 and compares this year's capital growth (in absolute terms) against the FTSE All-Share Index. He also describes the earnings per share and dividends paid for the year. The directors intend to benchmark the Company's performance against its peer group using Association of Investment Company ("AIC") statistics in place of FTSE in future financial statements.

Graphs showing the Company's NAV per share compared with the FTSE Equity Investment Instruments Index over one, three, five and ten years and over the period from 1982 are shown on pages 2-3. A comparison of the Company's share price total return over the last six years with the FTSE Equity Investment Instruments Index, which reflects the performance of similar companies, is also shown on page 2.

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 (if discount to NAV is high) or issued (if share price is at a premium to NAV). At the start of the year under review the premium to NAV was 4.0% compared with 7.1% at the year end.

- Ongoing charges percentage, calculated using the methodology recommended by the AIC which enables the Board to measure the control of costs and help in meeting the dividend payment objective. This percentage was 1.26% for the year to 5 April 2013 (2012: 1.31%).

Report of the Directors (continued)

Investment policy

Policy and risk

The Company's objective is to achieve capital growth in absolute terms rather than relative to a particular stock market index. The preservation of shareholders' wealth is an important consideration in fulfilling this objective and has a strong underlying influence on the Company's investment policy.

To meet its objective, the Company's long-term investment policy is to invest primarily in quoted, closed-ended and other collective investment vehicles, which invest in equities or property, with a willingness to hold cash, bonds, index-linked securities and commodities when appropriate.

Recognising the diverse attributes of most closed-ended investment companies and collective investment instrument vehicles, as well as the lower-risk characteristics attached to the other principal asset classes in which the Company invests, a flexible approach to asset allocation is adopted.

Asset allocation

A maximum (100%) exposure to each of the asset categories mentioned above is allowable, provided that such exposure is deemed to be in the best interests of shareholders in achieving the Company's objective. Such extreme positions are however unlikely and are subject to Board approval. It is anticipated that under most market conditions, a broad mix of assets is likely to continue to be maintained and a maximum 80% exposure to either equity or fixed-interest securities, including index-linked securities and cash, may be held before requiring Board consideration and approval.

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%.

The investment manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure. However, the Company will not invest more than 15% of its investment portfolio in any single investment or acquisition without prior Board approval.

Gearing

The gearing range of the Company at any one time shall be between 0% and 20% of NAV at the time of acquisition. Gearing in excess of the maximum range is subject to prior Board approval.

Additional elements

The Board will from time to time consider investments in derivatives such as guarantees, options and currency. Such investments may only be made for the purpose of efficient portfolio management and are subject to prior Board approval, which may only be granted following an in-depth review of the investment, the potential return for shareholders and the regulatory impact on the Company. Additionally, investments in other funds managed by CGAM or by associates of CGAM will be considered by the Board on a case by case basis and are subject to Board approval.

Voting policy

It is the Company's voting policy in respect of its investee companies that the custodian should vote all the Company's shares through its delegated authority from the Board. The exercise of voting rights attached to the Company's portfolio has been delegated to CGAM. A disclosure is included on its website about the nature of its commitment to the FRC's Stewardship Code, and details may be found at www.cgasset.com. Corporations are playing an increasingly important role in global economic activity, and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation. The investment manager engages actively, where appropriate, with the underlying investee companies to encourage good governance practices.

Net asset value

At 5 April 2013, the net assets per 25p Ordinary share of the Company were valued at 3,198.9p, as compared with a figure of 2,898.6p as at 5 April 2012.

Revenue and dividend

The revenue return for the financial year was £462,000 (2012: £547,000).

The directors recommend the payment of a dividend of 16p per Ordinary share for the year ended 5 April 2013, amounting to £468,000 (2012: £540,000) for approval by shareholders at the forthcoming AGM. The dividend will be payable on 25 July 2013 to shareholders on the register of members on 7 June 2013, the associated ex dividend date being 5 June 2013. Final dividends should not be accrued in the financial statements under FRS 21 unless they have been approved by shareholders before the balance sheet date. As such, the amount recognised in the 2013 financial statements comprises the 2012 final dividend.

Creditor payment policy

It is the Company's payment policy to obtain the best possible terms for all business. Whilst following no formal code, 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. At the year end, creditors represented 65 (2012: 61 days).

Going concern

The Company's business activities, development and financial position, together with the main trends and factors likely to affect its future development, performance and position, are set out in the Financial Highlights, Chairman's Statement, Investment Manager's Report and the Business Review. In addition, note 19 to the financial statements details the Company's financial instruments and its exposure to market price, interest rate, foreign currency, liquidity and credit risk. The directors believe that the Company is well placed to manage its business risks in the foreseeable future.

Going concern continued

The directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing financial statements.

Management and contracts

Investment manager

The Company's investments are managed by CGAM under an agreement dated 27 April 2001, which is currently being updated. Under this agreement, CGAM receives an annual investment management fee of 0.85% of the gross assets of the Company based on quarterly valuations and payable quarterly in arrears, as detailed in note 3 to the financial statements on page 30. The agreement is terminable on 12 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 gross assets of the Company as at the date of termination. No other compensation would be payable in the event of termination.

The investment manager operates under an investment policy and guidelines drawn up by the Board as detailed on page 11. Any proposed deviation from this policy 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.

Performance, evaluation and the continuing appointment of the investment manager

The performance of the investment manager during the year and the contractual arrangements with the investment manager were discussed at a Board meeting on 22 May 2013, together with the results of a formal evaluation completed by all independent directors. Mr Spiller, as a director and significant shareholder 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 aim of providing growth in NAV in absolute terms;
- 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 on 22 May 2013 that the continuing appointment of the investment manager on the existing terms is in the best interests of the shareholders as a whole.

Custodian and administrator

The Northern Trust Company was appointed on 22 September 2011 to provide custodial services for the portfolio. Pursuant to the terms of this agreement, The Northern Trust Company receives a safe-keeping fee and transaction fees which vary by market, subject to a minimum fee of £12,000 per annum. Northern Trust Global Services Limited was appointed to provide administrative services for the portfolio on 23 September 2011. Under the terms of this agreement Northern Trust Global Services Limited receives a fee of 0.06% per month of the gross assets, subject to a minimum fee of £3,500 per month. Termination of the custody agreement requires one month's written notice; termination of the administration agreement requires three months' written notice.

Details of the aggregate fees paid during the year to The Northern Trust Company and Northern Trust Global Services Limited are recorded in note 4 of the financial statements on page 30.

Corporate secretarial and accounting services

TMF Corporate Secretarial Services Limited and TMF Management (UK) Limited (collectively "TMF") were appointed by the Company in 2007 to provide company secretarial and accounting services respectively. This agreement may be terminated on three months' notice, and TMF receives an annual compliance fee of £48,000 for company secretarial services and £32,400 for accounting services exclusive of VAT. Further fees may be payable for additional work undertaken during the year. Details are given in note 4 to the financial statements on page 30.

c) Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for investment companies (the "AIC Guide"). The AIC Code is endorsed by the Financial Reporting Council, and as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, whilst setting out additional principles and recommendations on issues that are of specific relevance to the Company.

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 Board reports against the principles and recommendations of the AIC Code by reference to the AIC Guide, as this should provide better information to shareholders. The February 2013 edition of the AIC Code and AIC Guide are applicable to the year under review and can be found at www.theaic.co.uk. The June 2010 edition of the UK Corporate Governance Code applies to reporting periods beginning before 1 October 2012 and can be found at www.frc.org.uk.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. 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.

Report of the Directors (continued)

The following table demonstrates how the principles of the 2013 AIC Code have been applied and explains those recommendations which were not complied with during the year.

Principle	Company Compliance
The Board	
1. The chairman should be independent.	Mr Pattison is the chairman of the Board. The Board has considered the continued appointment of Mr Pattison, who has served on the Board for 28 years. He has no other links to the investment manager. The Board subscribes to the AIC Code view that length of tenure is not necessarily an issue, rather the directors' contribution. The Board has concluded that Mr Pattison continues to make a valuable contribution and, notwithstanding his length of service, believes that he remains independent in character and judgement. Mr Pattison is regarded as being free of relationships which may create a conflict of interest between his own and the shareholders' interests. The directors are conscious of the benefits of continuity on the Board and believe that retaining a chairman with sufficient experience of both the Company and the markets is of great benefit to shareholders, as is the likelihood of a long-serving director to take a longer term view. Mr Meek is the senior independent director ("SID") and is available to shareholders as a channel of communication if they have concerns in respect of which contact through the channel of the chairman is inappropriate.
2. A majority of the board should be independent of the manager.	The Board comprises four non-executive directors and, with the exception of Mr Spiller, all are considered to be independent of the Company's investment manager and independent in both character and judgement. Independence questionnaires are completed annually by each director other than Mr Spiller, and reviewed by the chairman and by the Board as a whole. With regard to the length of tenure, as noted above, the Board subscribes to the AIC's belief that, in the case of investment companies, lengthy service on a Board does not compromise independence from the manager and that therefore long-serving directors can form part of an independent majority. In light of the benefits of Board continuity, long-term vision and retention of sufficient experience of both the Company and the markets, the Board believes that the achievement of a balance of newly serving and long-serving directors is of great benefit to shareholders.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but based on disclosed procedures and continued satisfactory performance.	Directors are initially appointed for a three-year term, following which they are subject to re-election by shareholders at the intervals specified in the Company's articles of association and in accordance with good governance practice. Those directors serving for more than nine years are subject to annual re-election. Board support for re-election is based on the outcome of an annual performance evaluation. The performance of each director and nominations for re-election are discussed by the Board as a whole in the absence of the director in question.
4. The board should have a policy on tenure, which is disclosed in the annual report.	Subject to annual re-election and the need to refresh its membership from time to time, the Board is of the opinion that the term of office of individual directors should be determined by the Board's judgement of their continuing effectiveness and performance. No limit is placed on the age or length of service of the directors by the Board or by the articles of association. The Board does not consider that age or tenure should prevent a director from being regarded as independent from the investment manager. No director has a contract of employment with the Company. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be on display at the AGM.
5. There should be full disclosure of information about the board.	The directors' biographies can be found on page 4; details of their interests in shares and meeting attendance are on pages 17 and 18 respectively. The directors' remuneration report is set out on page 21. The Board has an Audit Committee, but due to the small size of the Board, does not feel it necessary to establish a separate remuneration, nomination or management engagement committee. The functions of remuneration, nomination and management engagement committees are carried out by the Board as a whole as part of the agenda of regular Board meetings as required.
6. The board should aim to have a full balance of skills, experience, length of service and knowledge of the company.	The directors' biographies on page 4 demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors of the Company. The independence, contribution and performance of each Board member are evaluated annually and the process incorporates analysis of the balance and composition of the Board. It is the directors' measured opinion that the Board displays the necessary balance of skills, experience, length of service and knowledge of the Company.

Report of the Directors (continued)

Principle	Company Compliance
7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	Evaluation questionnaires in respect of the performance of individual directors, the Audit Committee, the Board as a whole and the actions of the Board in conjunction with its advisors are completed annually by each member of the Board, then externally collated. The performance of the Company as a whole is considered in detail at each Board meeting. Furthermore all independent directors complete an evaluation of the investment manager. Within the evaluation process, each director is encouraged to raise any concerns for the Board to act upon. The company secretary analyses and presents the results, whilst the Board as a whole examines the evaluation results and discusses areas for change or improvement. The performance of the Board, Audit Committee and the chairman are considered separately, and the chairman is not present during the course of the discussion concerning his own evaluation. The chairman and the SID confirm that the performance of each director continues to be effective and demonstrates their commitment to their role. This includes extensive time for ad hoc communications throughout the year in addition to formal Board and committee meetings. All directors are offering themselves for re-election at the Company's forthcoming AGM. It is considered that each of them merit re-election by shareholders. The results of the performance evaluations in respect of the year ended 5 April 2013 were analysed at a meeting of the Board on 22 May 2013. No material issues were identified from this review. The evaluation process itself is examined and refreshed periodically to ensure optimal rigour and practical outcomes.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	Directors' remuneration is reviewed by the Board as a whole on an annual basis. The Board determines and approves directors' fees following proper consideration, having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and committee responsibilities, the time committed to the Company's affairs, and activity during the period in question. The results of the most recent review are set out in the Directors' Remuneration Report on page 21. The Company's articles of association limit the aggregate fees payable to the Board to a total of £100,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report.
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The directors have determined that, due to the size of the Board, there is no requirement for a separate nomination committee. The Board annually reviews its size and structure, and is responsible for succession planning. The Board has an open mind regarding the use of external recruitment consultants or internal process, and has, in the past, chosen to combine both routes to ensure best practice. The Board believes that diversity of experience and approach amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance when making new appointments.
10. Directors should be offered relevant training and induction.	On appointment, directors are provided with key information on their responsibilities and duties as directors, together with relevant background information on the Company and its activities and an induction to the work of the investment manager. Further appropriate training is arranged where this is considered necessary. In addition, each director is encouraged to seek ongoing training opportunities, both in relation to their office with the Company and otherwise. A log of relevant training and development events attended by the directors is maintained by the company secretary and reviewed regularly by the chairman to ensure that each director undertakes appropriate activity in this regard. All directors have access to the advice and services of the corporate company secretary (through its appointed representative) who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board has an established procedure, whereby directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. Directors are updated regularly on statutory, regulatory and industry matters and internal controls, and changes affecting directors' responsibilities are advised to the Board as they arise.
11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	Not applicable to the Company at present.
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets on a quarterly basis and additionally as necessary to review the overall business of the Company, as well as to consider matters specifically reserved for it. Detailed information is provided by the investment manager, portfolio administrator and company secretary at each meeting, enabling the directors to monitor the Company's investment performance and other matters of relevance. Details of the numbers of Board and committee meetings held during the financial year and the attendance record of each director are shown on page 18

Report of the Directors (continued)

Principle	Company Compliance
13. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues.	The Board is responsible for the effective stewardship of the Company's affairs. Certain strategic issues are monitored by the Board at meetings against a framework which has been agreed with the investment manager, as the Board supervises the management of the investment portfolio, contractually delegated to the investment manager. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information from the company secretary and other advisors, as appropriate. At each meeting, the investment manager presents an update on the investment performance of the Company and a compliance report. The Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The directors thereby monitor compliance with the Company's objectives and ensure adherence to the investment policy, or authorise any policy changes where appropriate. The company secretary attends all Board and committee meetings and advises the Board, through the chairman, on all matters relating to Board procedures and corporate governance.
14. Boards should give sufficient attention to overall strategy.	The Board considers and discusses the performance, investment mandate, strategy and continuation of the Company at every Board meeting.
15. The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Board has not established a management engagement committee ("MEC"), as it considers its size to be such that a separate MEC would be unnecessarily cumbersome. The performance of and contractual arrangements with the investment manager are evaluated annually and discussed by the Board as a whole to ensure the continued suitability of CGAM to manage the Company's portfolio, though only directors independent of the investment manager are involved in this process. To this end the investment management agreement is reviewed and updated periodically so that its terms remain competitive, fair and in the best interests of the shareholders. Details of the items considered in the evaluation of the investment manager and the rationale for the continuance of the contract can be found on page 12.
16. The board should agree policies with the manager covering key operational issues.	The investment manager CGAM operates under an investment policy and within guidelines drawn up by the Board. The guidelines set out parameters within which the investment manager operates, including the overall investment strategy of the Company. Any proposed deviation from the guidelines is required to be discussed with and agreed by the Board or by the chairman on the Board's behalf where authority is required between meetings. CGAM reports at every Board meeting on the performance of the Company and submits a statement of compliance with the investment policy. The Board monitors the investment manger's performance and adherence to the policy and regularly discusses the Company's investment strategy. Unless specifically directed by the Board, the investment manager has the authority to vote the shares held in the investee companies in the best interests of the Company and will bring to the attention of the Board any matters requiring direction or of a contentious nature. The investment manager broadly supports the principles of the Financial Reporting Council's Stewardship Code, and a statement of its position on each of the seven principles of the Stewardship Code can be found on its website: www.cgasset.com.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board pays close attention to the level of discount to NAV and gives careful consideration to the most appropriate means of optimising the situation for shareholders, given the stated objectives of the Company. The Board operates an informal discount/premium control mechanism whereby major market supply and demand imbalances are satisfied by either the issuance of shares at a premium to NAV or buying back shares at a discount. During the year, in pursuance of this mechanism, 2,000 Ordinary shares were issued at a premium to NAV. Further details can be found under the "Other statutory information" section on page 18.
18. The board should monitor and evaluate other service providers.	In addition to investment management, the Board has delegated to external third-parties the custodial services (which include the safeguarding of assets), the day-to-day accounting, company secretarial services, payroll and registration services. Each contract was entered into after full and proper consideration of the quality and cost of the services offered, including the control systems in operation insofar as they relate to the affairs of the Company. These contracts and internal control systems are reviewed and evaluated annually by the Board to ensure their continued competitiveness and efficacy.
19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	Shareholder relations are accorded a high priority by both the Board and the investment manager. All shareholders have the opportunity to attend and vote at the AGM, at which a presentation is made by the investment manager following the business of the meeting. Shareholders have the opportunity to address questions to the chairman and the chairman of the Audit Committee and the directors are available to discuss key issues affecting the Company. All shareholders are encouraged to attend the AGM. The Board reviews large transactions within the shareholder register as they occur and at Board meetings where required. Informal communications with major shareholders continue to be maintained by the chairman and/or investment manager in order that the Board has an understanding of their views on the Company. In addition, every director is always available to discuss issues of concern raised by any of the shareholders.

Report of the Directors (continued)

Principle	Company Compliance
19. (continued)	It is the intention of the Board that the annual report and accounts and notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders and others wishing to contact the Board are invited to do so by writing to the company secretary at the registered address given on page 43 or via the Company website at www.capitalgearingtrust.com. All meetings between the manager and shareholders are reported to the Board.
20. The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board is directly involved in and responsible for communications on major corporate issues.
21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.	The prime medium by which the Company communicates with shareholders is through the interim and annual reports which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the weekly calculation of the net asset values of the Company's shares, interim half-year management statements, monthly and quarterly portfolio updates, together with the full portfolio list at each year end, which are published on the London Stock Exchange and the Company's website. The annual report and interim report are posted to each shareholder, and are also available on the Company's website. All information provided is considered to be a useful update for shareholders and others taking an interest in the Company. The annual report sets out the responsibilities reserved for the Board and those delegated to the investment manager, and records the Board's consideration of the performance of the investment manager over the year.

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.

Directors' indemnity
The Company has 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 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, as defined by section 234 of the Companies Act 2006. The qualifying third-party indemnity provision was in force throughout the financial year and at the date of approval of the Annual Report.

Internal controls
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 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 which 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 manager. The effectiveness of the internal controls is assessed on a continuing basis by the 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.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Company. The Board undertakes an annual review of the Company's system of internal controls in line with the Turnbull guidance. 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 accounts.

Report of the Directors (continued)

Matters reserved for the Board

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 discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

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 conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts arise.

Audit Committee

The Audit Committee comprises Mr Prescott (chairman), Mr Pattison and Mr Meek and has written terms of reference, which clearly define its responsibilities and duties. These can be found on the Company's website, are available on request and will also be available for inspection at the AGM. The committee meets at least three times a year to review the internal financial and non-financial controls, to consider the integrity of and recommend to the Board for approval the contents of the draft interim and annual reports to shareholders and related announcements, and to review the accounting policies and significant financial reporting judgements. In addition, the Committee reviews the auditors' independence, objectivity, effectiveness, appointment, remuneration, the quality of the services of the service-providers to the Company, and, together with the investment manager, reviews the Company's compliance with financial reporting and regulatory requirements. It also meets with representatives of the investment manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

Non-audit fees of £30,000 (plus VAT) were paid to PricewaterhouseCoopers LLP ("PwC") for services relating to taxation compliance and advisory and their review of the interim report. The Board monitors the Company's relationship with its external auditor with a view to ensuring that the external auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of their audit role. Representatives of PwC attend the committee meetings at which the draft annual report and accounts are reviewed, and are given the opportunity to speak to the committee members without the presence of the representatives of the manager. The chairman of the Audit Committee will be present at the AGM to deal with questions relating to the accounts.

The Audit Committee is satisfied that PwC is independent of the Company. A resolution to re-appoint PwC as the Company's auditor will be put to shareholders at the forthcoming AGM.

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

Subject to the exceptions explained in the forgoing table and paragraphs, during the financial year the Company has complied with the recommendations of the 2013 AIC Code and the relevant provisions of the UK Corporate Governance Code.

Directors and their interests

The directors in office during the year under review 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. Biographical details of each director can be found on page 4.

	Ordinary shares of 25p each	
	5 April 2013	5 April 2012
Mr T R Pattison Non-executive chairman	**5,908***	5,908*
Mr G A Prescott Non-executive director	**200**	200
Mr E G Meek Senior independent non-executive director	**11,834**	11,834
Mr R P A Spiller Non-executive director and director of the investment manager	**305,671**	305,671

No changes in the directors' interests in the shares of the Company during the period 6 April 2012 to 5 April 2013 and to the date of this report have been disclosed to the Company. No director was granted options over any shares in the Company. No director has a service contract with the Company.

*Mr Pattison holds indirect voting rights over 3,478 shares in the Company which are legally and beneficially owned by Friends Life and held in a unit-linked retirement annuity scheme. In March 2002, it was announced that 3,000 of these shares were transferred from Mr Pattison's personal account into the retirement annuity scheme.

Retirement and re-election of directors

The following directors will retire at the forthcoming AGM, and, being eligible, will be proposed for re-election:

Mr Pattison offers himself for re-election in accordance with Principle 3 of the AIC Code as he has served as a director for more than nine years.

Mr Spiller offers himself for re-election in accordance with Principle 2 of the AIC Code as he is an employee of the investment manager.

Mr Meek offers himself for re-election in accordance with Principle 3 of the AIC Code as this will be the ninth AGM from the date of his first election.

Mr Prescott offers himself for re-election in accordance with the retirement by rotation provisions contained in the Company's articles of association.

After due consideration of the results of the performance evaluation, the chairman and the Board confirm that they are content that the performance of the directors seeking re-election continues to be effective and demonstrates commitment to the role, including the necessary commitment of time for Board and committee meetings and other duties as are required. The Board believes that the re-election of the aforesaid directors is in the best interests of the Company and its shareholders.

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 range of skills and experience and diversity that will best serve shareholders in the future. The directors are currently investigating and planning the future development of the Board and its composition.

Directors' meeting attendance

The number of meetings held during the year from 6 April 2012 to 5 April 2013 and the directors' attendance is detailed below.

	Board (4)	Audit Committee (3)
Mr T R Pattison	4	3
Mr G A Prescott	4	3
Mr E G Meek	4	3
Mr R P A Spiller	4	N/A

Two subcommittee meetings were also held during the year to approve the issuance of shares and to approve the interim accounts.

All directors attended the 2012 AGM.

Substantial shareholders

At 28 May 2013, the following interests in voting rights had been notified to the Company in accordance with the provisions of the Disclosure and Transparency Rules of the Financial Conduct Authority:

	Number of ordinary shares	Percentage of issued share capital held
Smith & Williamson	389,043	13.31%
D R Hunter	217,000	7.43%
Cazenove Capital Management	202,928	6.95%
R P A Spiller	199,350	6.82%
Alliance Trust Savings	168,369	5.76%
Pictet	141,580	4.85%
Barclays Personal Investment Management	130,336	4.46%
Investec Wealth & Investment	88,690	3.04%
Legal & General Investment Management	88,430	3.03%
Mrs D Spiller	88,340	3.02%

Since 5 April 2013 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary share class holdings.

Other statutory information

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

- The Company's share capital comprises 2,921,906 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 2013, 2,921,906 Ordinary shares were in issue (2012: 2,919,906). During the financial year 2,000 Ordinary shares were issued as follows: on 26 September 2012, 2,000 shares with an aggregate nominal value of £500 were issued to Winterflood Securities Limited for a total consideration of £67,914. The market price of the shares on 26 September 2012, which was the date on which the terms of issue were fixed, was 3,388.0p per share. The shares as detailed above were issued to the nominee company recorded on behalf of various investors.

- In respect of the Company's shares, there are no:

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

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

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

- Details of the significant direct or indirect holdings of the Company's shares are shown in the substantial shareholders table above.

- The rules on the appointment and replacement of the directors are set out in the Company's articles of association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.

- Subject to the provisions of the Companies Act 2006, to the Articles, and to 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 19-20.

- 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.

d) Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt as to the action you need to take, please seek advice from your stockbroker, bank manager, solicitor, accountant or other financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your Ordinary shares in the Company, please send this document, but not the accompanying form of proxy, to the purchaser/transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

The AGM of the Company will be held on Friday, 19 July 2013 at 11.00 am at the offices of Smith & Williamson Investment Management Limited, 25 Moorgate, London EC2R 6AY. The formal notice of such is set out on pages 39-41. Resolutions relating to items of noteworthy and/or special business as detailed below will be proposed at the AGM.

Resolutions 4-7 – Re-election of directors

The Board has noted the recommendation in the AIC Code of Corporate Governance that non-executive directors serving longer than nine years be subject to annual re-election. Accordingly, Mr Pattison, Mr Spiller and Mr Meek will offer themselves for re-election at this year's AGM. In accordance with the articles of association, Mr Prescott, having been elected in 2010, will retire by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. The Board has scrutinised the performance of Mr Pattison, Mr Spiller and Mr Meek and recommends that they be proposed for re-election. As noted earlier, the Board subscribes to the AIC Code view that length of tenure is not necessarily an issue, rather the directors' contribution, their ability and assertion of their authority. 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 shareholders. Moreover, long-serving directors are less likely to take a short-term view. This opinion is based on the following assessment of their contribution to the operation of the Board:

Mr Pattison

Mr Pattison is professionally responsible for managing investment portfolios. His extensive knowledge of the investment trust industry and trends in the market are of great value to the board. His consideration of the Company's strategy and the board's assessment of the manager's performance are particularly notable. He also holds the position of chairman of an investment management firm.

Mr Spiller

Mr Spiller is an experienced investment manager and strategy director. He has managed the Company since 1982, since which time it has achieved 16% compound annual returns without a down year. He and his family members are major stakeholders of the Company.

Mr Meek

Mr Meek is a former investment banker and stockbroker, with significant experience in senior financial roles, including previous appointments as executive director for publicly listed businesses. His knowledge and experience are of great value to the board, particularly his relationship with shareholders and contribution as senior independent director.

Resolutions 10 and 11 – Directors' authority to allot shares and disapply pre-emption rights

At the AGM held on 13 July 2012 (the "2012 AGM"), the directors were given the authority until the date of the following AGM to allot up to 973,302 Ordinary shares and to disapply pre-emption rights in respect of up to 10% of these shares. During the financial year, 2,000 Ordinary shares were allotted in pursuance of these authorities and the Board's informal discount/premium control mechanism.

At this year's AGM, the directors are seeking authority to allot up to 973,969 Ordinary shares, in aggregate a nominal value of £243,492.25, representing one third of the issued share capital at the date of this Report. The directors are also seeking to disapply pre-emption rights in respect of the allotment of up to 10% of the issued share capital of the Company (equivalent to 292,191 Ordinary shares at the date of this Report with an aggregate nominal value of £73,047.75), including any shares which have been bought back for holding as treasury shares.

Whilst recognising that institutional investor guidelines recommend non-pre-emptive issues be no higher than 5% of issued share capital, the Board recommends a maximum of 10%, since it believes that this will give greater flexibility and be more cost-effective.

Report of the Directors (continued)

Resolution 12 – Authority to make market purchases of the Company's shares
At the 2012 AGM, the directors were given the authority until the date of the following AGM to buy back up to 437,693 Ordinary shares (14.99% of the issued share capital at the date of the 2012 AGM). This authority was not exercised during the financial year and so remained in force at 5 April 2013.

At this year's AGM, the directors are seeking authority to buy back up to 437,994 Ordinary shares (14.99% of the issued share capital at the date of this report) 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 and in the formal notice of the AGM will expire at the 2014 AGM unless previously renewed, varied or revoked by the Company in general meeting. These powers will only be exercised 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.

Resolution 13 – Notice of general meetings
At the Company's 2012 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 excludes 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 the shareholders.

Resolution 14 – Authority to pay dividends out of capital profits
The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012 (the "Regulations") simplify existing conditions that investment companies must meet in order to benefit from the distribution rules in the Companies Act 2006. The changes remove the restrictions on investment companies paying dividends out of capital profits. Previously, investment companies could not pay any dividends out of capital profits and had to include an express provision to this effect in their articles of association (under section 833(2)(c) and (3) of the Companies Act 2006). The Regulations have now removed this prohibition.

As a result of the recent changes introduced by the Regulations, the Company intends to amend its articles of association so it can benefit from the relaxation of the rules and permit the distribution of capital payments. In order to effect this change, a special resolution must be passed to amend the Company's articles of association.

Recommendation
The directors consider that all the resolutions detailed in the formal notice 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 PwC is independent of the Company. A resolution to re-appoint PwC 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 4. 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 (that is, 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 were 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

TMF Nominees Limited
Company Secretary
28 May 2013

Directors' Remuneration Report

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. The auditors' opinion is included within the Auditors' Report set out on page 23. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting ("AGM").

Directors' emoluments for the year (audited)

The directors who served during the year received remuneration as detailed below and in note 5 to the financial statements on page 30.

	2013 £'000	2012 £'000
Mr T R Pattison (Chairman of the Board)	**25**	23
Mr G A Prescott (Chairman of the Audit Committee)	**20**	18
Mr R P A Spiller	**18**	16
Mr E G Meek	**18**	16
	81	73

Consideration of matters relating to directors' remuneration (unaudited)

As the Board is small, it is considered unnecessarily burdensome to establish a separate remuneration committee; the functions of such are therefore carried out by the Board as a whole. Mr Spiller leaves the meeting when issues relating to the fees of the investment manager are discussed. The level of directors' fees is reviewed every year relative to the work involved as well as to the fees of the directors of comparable companies.

Statement of the Company's policy on directors' remuneration (unaudited)

It is the Board's policy that none of the directors has a service contract. Instead the terms of each director's appointment, including remuneration, are set out in a letter of appointment. The fees payable to the directors are limited to a total of £100,000 per annum, divided among the directors in such proportions and in such manner as the Board may determine. The level of remuneration is reviewed annually and amended where appropriate and the policy is for the chairmen of the Board and Audit Committee to be paid a higher fee than the other directors to reflect the additional responsibilities and time commitment of these roles.

The Company does not operate any type of incentive or pension scheme and therefore no directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office, but are entitled to be given six months' notice in writing of the termination of their appointment. Each director is entitled to be repaid all reasonable travel, hotel and other expenses properly incurred by him in or about the performance of his duties as a director, including any expenses incurred in attending meetings of the Board, any committee of the Board and any general meetings of the Company.

Performance graphs (unaudited)

Graphs showing the Company's net asset value compared with the FTSE Equity Investment Instruments Index over the last ten years and over the period from 1982 to date are shown on pages 2-3. A graph comparing the Company's share price total return (assuming all dividends are reinvested) to shareholders over the last six years, with the FTSE Equity Investment Instruments Index, which reflects the performance of similar companies, is shown on page 2.

By order of the Board

TMF Nominees Limited
Company Secretary
28 May 2013

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

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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 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 period. In preparing these financial statements, the directors are required to:

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

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

The financial statements are published on the Company's website, www.capitalgearingtrust.com, which is a website maintained by TMF Corporate Secretarial Services Limited. The directors are responsible for the maintenance and integrity of the Company's website and financial information included within the website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in the Annual Report confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors 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.

For and on behalf of the Board

Mr T R Pattison
Chairman
28 May 2013

Independent Auditors' Report to the Members of Capital Gearing Trust P.l.c

We have audited the financial statements of Capital Gearing Trust P.l.c for the year ended 5 April 2013 which comprise the Income Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 5 April 2013 and of its net return and cash flows 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 11 and 12, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Stephen Curragh (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
28 May 2013

Income Statement

for the year ended 5 April 2013

	Note	Revenue £'000	Capital £'000	2013 Total £'000	Revenue £'000	Capital £'000	2012 Total £'000
Net gains on investments	9	**–**	**7,994**	**7,994**	–	7,206	7,206
Exchange gains/(losses)	9	**–**	**1,323**	**1,323**	–	(7)	(7)
Investment income	2	**1,064**	**–**	**1,064**	1,325	–	1,325
Gross return		**1,064**	**9,317**	**10,381**	1,325	7,199	8,524
Investment management fee	3	**(302)**	**(453)**	**(755)**	(282)	(422)	(704)
Transaction costs		**–**	**(54)**	**(54)**	–	(53)	(53)
Other expenses	4	**(367)**	**–**	**(367)**	(371)	–	(371)
Net return on ordinary activities before tax		**395**	**8,810**	**9,205**	672	6,724	7,396
Tax credit/(charge) on net return on ordinary activities	6	**67**	**32**	**99**	(125)	84	(41)
Net return attributable to equity shareholders	15	**462**	**8,842**	**9,304**	547	6,808	7,355
Return per Ordinary Share	8	**15.82p**	**302.71p**	**318.53p**	18.82p	234.24p	253.06p

The total column of this statement is 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 is no material difference between the net return on ordinary activities before tax and the net return attributable to equity shareholders stated above and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

for the year ended 5 April 2013

	2013 £'000	2012 £'000
Net return attributable to equity shareholders	**9,304**	7,355
Total gains and losses recognised for the year	**9,304**	7,355

The notes on pages 28 to 38 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 5 April 2013

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments held £'000	Capital reserve arising on investments sold £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2011		712	9,621	16	10,686	52,820	1,695	75,550
Share issues during the year	12	18	2,241	–	–	–	–	2,259
Exchange gains/(losses) on investments	9	–	–	–	12	(19)	–	(7)
Net gains on realisation of investments	9	–	–	–	–	8,386	–	8,386
Net decrease in unrealised appreciation	9	–	–	–	(1,180)	–	–	(1,180)
Transfer on disposal of investments		–	–	–	(2,037)	2,037	–	–
Transaction costs	9	–	–	–	(39)	(14)	–	(53)
Costs charged to capital	3	–	–	–	–	(422)	–	(422)
Tax on costs charged to capital	6	–	–	–	–	84	–	84
Net revenue for the year		–	–	–	–	–	547	547
Total		730	11,862	16	7,442	62,872	2,242	85,164
Dividends paid	7	–	–	–	–	–	(527)	(527)
Balance at 5 April 2012		730	11,862	16	7,442	62,872	1,715	84,637
Balance at 6 April 2012		730	11,862	16	7,442	62,872	1,715	84,637
Share issues during the year	12	–	68	–	–	–	–	68
Exchange gains/(losses) on investments	9	–	–	–	1,020	303	–	1,323
Net gains on realisation of investments	9	–	–	–	–	7,589	–	7,589
Net increase in unrealised appreciation	9	–	–	–	405	–	–	405
Transfer on disposal of investments		–	–	–	2,653	(2,653)	–	–
Transaction costs	9	–	–	–	(46)	(8)	–	(54)
Costs charged to capital	3	–	–	–	–	(453)	–	(453)
Tax on costs charged to capital	6	–	–	–	–	32	–	32
Net revenue for the year		–	–	–	–	–	462	462
Total		730	11,930	16	11,474	67,682	2,177	94,009
Dividends paid	7	–	–	–	–	–	(540)	(540)
Balance at 5 April 2013		730	11,930	16	11,474	67,682	1,637	93,469

The notes on pages 28 to 38 form an integral part of these financial statements.

Balance Sheet

at 5 April 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments:			
Listed investments	9	**90,551**	82,418
Current assets			
Debtors	10	**3,225**	2,426
Cash at bank and in hand		**21**	27
		3,246	2,453
Creditors: amounts falling due within one year	11	**(328)**	(234)
Net current assets		**2,918**	2,219
Total assets less current liabilities		**93,469**	84,637
Capital and reserves			
Called-up share capital	12	**730**	730
Share premium account	13	**11,930**	11,862
Capital redemption reserve	13	**16**	16
Capital reserve arising on investments held	13	**11,474**	7,442
Capital reserve arising on investments sold	13	**67,682**	62,872
Revenue reserve	13	**1,637**	1,715
Total equity shareholders' funds	15	**93,469**	84,637
Net asset value per Ordinary Share	14	**3,198.9p**	2,898.6p

The financial statements on pages 24 to 38 were approved by the Board on 28 May 2013 and signed on its behalf by:

Mr T R Pattison
Chairman

The notes on pages 28 to 38 form an integral part of these financial statements.

Company Number: NI 005574

Cash Flow Statement

for the year ended 5 April 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	16	**117**	350
Taxation			
Foreign tax received/(paid) on investment income		**170**	(41)
UK tax paid in relation to prior period adjustments		**(113)**	–
		57	(41)
Capital expenditure and financial investment			
Payments to acquire investments		**(22,728)**	(35,239)
Receipts from sale of investments		**23,858**	32,407
		1,130	(2,832)
Equity dividends paid	7	**(540)**	(527)
Management of liquid resources			
Change in cash held by the custodian awaiting investment		**(838)**	59
Financing			
Issue of Ordinary share capital	12	**68**	2,259
Decrease in cash	18	**(6)**	(732)

The notes on pages 28 to 38 form an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Accounting convention

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and under the historical cost basis of accounting, modified to include revaluation of investments at fair value.

The financial statements have been prepared in accordance with applicable accounting standards in the UK and with the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

b) Valuation of investments

Listed investments, which in accordance with FRS 26 are classified as fair value through profit or loss, are initially recognised at fair value. After initial recognition these continue to be measured at fair value, which for listed investments is at bid price. 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.

Transaction costs are recognised as capital and are included in the capital column of the Income Statement. Transaction costs on purchases of investments are included in capital reserve arising on investments held and transaction costs on disposals of investments are included in capital reserve arising on investments sold. On disposal of investments denominated in foreign currencies, the exchange differences previously taken to capital reserve arising on investments held are transferred to capital reserve arising on investments sold.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve arising on investments sold, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve arising on investments held, as explained in note 1 h) below.

Year end exchange rates are used to translate the value of investments which are denominated in foreign currencies. Exchange differences arising from re-translation of the opening net investments are taken to capital reserve.

c) Dividends

Under FRS 21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date. Interim dividends are recognised only when paid. Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend, and become a liability of the Company.

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

d) 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.

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. The amount recognised as a capital return on index-linked securities in the year was £439,000 (2012: £466,000).

The Company is proposing an amendment to its articles of association at its forthcoming Annual General Meeting ("AGM") to remove the prohibition on the distribution of capital profits by way of dividend.

e) Expenses

All expenses include, where applicable, value added tax ("VAT"). Expenses are charged through the revenue account except when expenses are charged to capital reserve arising on investments sold where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. The investment management fees have been allocated 60% (2012: 60%) to capital reserve arising on investments sold and 40% (2012: 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.

f) Taxation

The charge for taxation is based on the net return for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Notes to the Financial Statements (continued)

1 Accounting policies continued

f) Taxation continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

The tax effect of the allocation of expenditure between capital and revenue is reflected in the financial statements using the Company's effective rate of tax for the year.

g) Foreign currency

Transactions denominated in foreign currencies are recorded in the local 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.

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 Pound Sterling.

h) Capital reserves
Capital reserve arising on investments sold

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- expenses (transaction and investment) and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end;
- unrealised exchange differences of a capital nature; and
- transaction expenses.

2 Investment income

	2013 £'000	2012 £'000
Income from investments:		
Income from UK bonds	**272**	208
Income from UK equity and non-equity investments	**236**	277
Interest from overseas bonds	**555**	838
	1,063	1,323
Deposit interest	**1**	2
Total income	**1,064**	1,325

	2013 £'000	2012 £'000
Total income comprises:		
Dividends	**236**	277
Interest	**828**	1,048
	1,064	1,325

	2013 £'000	2012 £'000
Income from investments comprises:		
Listed in the UK	**508**	485
Listed overseas	**555**	838
	1,063	1,323

Notes to the Financial Statements (continued)

3 Investment management fee

	Revenue £'000	Capital £'000	2013 Total £'000	Revenue £'000	Capital £'000	2012 Total £'000
Investment management fee	**302**	**453**	**755**	282	422	704

The Company's investment manager CG Asset Management Limited received an annual management fee equal to 0.85% of the gross assets of the Company. At 5 April 2013 £198,624 (2012: £179,516) was payable. The percentage allocation of the investment management fee charged to capital and revenue is 60:40 as explained further in note 1(e) on page 28.

4 Other expenses

	2013 £'000	2012 £'000
Administrative expenses:		
Portfolio administration	**51**	82
Fees payable to Company auditor for the audit of Company accounts	**19**	16
Fees payable to Company auditor for other services:		
Services relating to taxation compliance	**14**	16
Services relating to taxation advisory	**12**	–
Other services	**4**	4
Directors' remuneration (note 5)	**81**	73
Company secretarial and accountancy services	**105**	95
General expenses	**81**	85
	367	371

The above expenses include irrecoverable VAT where appropriate.

5 Directors' fees

	2013 Total £'000	2012 Total £'000
The fees payable to the directors were as follows:		
Mr T R Pattison	**25**	23
Mr G A Prescott	**20**	18
Mr R P A Spiller	**18**	16
Mr E G Meek	**18**	16
	81	73

Mr R P A Spiller's fees are paid directly to his employer. The Company made no pension contributions (2012: £nil) in respect of directors and no pension benefits are accruing to any director (2012: £nil).

Mr R P A Spiller received remuneration totalling £73,250 (2012: £91,000) from CG Asset Management Limited in respect of its services to the Company.

Details of transactions with CG Asset Management Limited, of which Mr R P A Spiller is a director, are disclosed in notes 3 and 20. There were no other transactions with directors during the year.

Notes to the Financial Statements (continued)

6 Tax credit/(charge) on ordinary activities

	Revenue £'000	Capital £'000	2013 Total £'000	Revenue £'000	Capital £'000	2012 Total £'000
Current tax:						
Corporation tax	(32)	32	–	(84)	84	–
Foreign tax	–	–	–	(41)	–	(41)
Adjustment in respect of prior year:						
Foreign tax	212	–	212	–	–	–
Double tax relief	(113)	–	(113)	–	–	–
Total current tax	67	32	99	(125)	84	(41)

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 20% (2012: 20%). The differences are explained below:

	Revenue £'000	Capital £'000	2013 Total £'000	Revenue £'000	Capital £'000	2012 Total £'000
Return on ordinary activities before taxation	395	8,810	9,205	672	6,724	7,396
Return on ordinary activities at the standard rate of UK corporation tax	79	1,762	1,841	134	1,345	1,479
UK franked dividends*	(47)	–	(47)	(55)	–	(55)
Capital returns*	–	(1,852)	(1,852)	–	(1,429)	(1,429)
Unrelieved loss for the year	–	58	58	5	–	5
Foreign tax	(212)	–	(212)	41	–	41
Double tax relief	113	–	113	–	–	–
Under provision in prior year	–	–	–	–	–	–
Current tax (credit)/charge for the year	(67)	(32)	(99)	125	(84)	41

* these items are not subject to corporation tax within an investment trust company.

No deferred tax liability has been recognised on unrealised gains on investments as it is anticipated that the Company will retain investment company status in the foreseeable future.

Potential deferred tax assets in respect of unrelieved management charges of £63,000 at 5 April 2013 (£5,000 at 5 April 2012) have not been recognised as the prospect for their recovery against future taxation liabilities is uncertain.

During the year withholding tax refunds of £212,000 in relation to prior periods were received from the Swiss tax authorities. These refunds have been credited to the income statement. Double tax relief claims made in prior years in relation to Swiss withholding tax totalling £113,000 have been repaid to HMRC during the year. These repayments have been charged to the income statement.

7 Dividends paid

	2013 £'000	2012 £'000
Ordinary Shares		
2012 dividend paid 19 July 2012 (18.5p per share)	540	–
2011 dividend paid 11 July 2011 (18.5p per share)	–	527

The directors have recommended to shareholders a final dividend of 16.0p per share for the year ended 5 April 2013. If approved, this dividend will be paid to shareholders on 25 July 2013. This dividend is subject to approval by shareholders at the AGM and, therefore, in accordance with FRS 21, it has not been included as a liability in these financial statements. The total estimated dividend to be paid is £468,000.

	2013 £'000	2012 £'000
Revenue available for distribution by way of dividend for the year	462	547
Proposed final dividend of 16.0p for the year ended 5 April 2013	(468)	(540)
Undistributed revenue for purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010*	(6)	7

* Undistributed revenue comprises approximately 0.0% (2012: 0.5%) of income from investments of £1,064,000 (2012: £1,325,000).

Notes to the Financial Statements (continued)

8 Return per Ordinary share

The return per Ordinary share of 318.53p (2012: 253.06p) is based on the total net return after taxation for the financial year of £9,304,000 (2012: £7,355,000) and on 2,920,958 (2012: 2,906,436) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Revenue return per Ordinary share of 15.82p (2012: 18.82p) is based on the net revenue return on ordinary activities after taxation of £462,000 (2012: £547,000) and on 2,920,958 (2012: 2,906,436) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Capital return per Ordinary share of 302.71p (2012: 234.24p) is based on the net capital return for the financial year of £8,842,000 (2012: £6,808,000) and on 2,920,958 (2012: 2,906,436) 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.

9 Listed investments

	2013 £'000	2012 £'000
Investments comprise –		
Listed investment companies:		
Incorporated in the United Kingdom	**23,352**	22,493
Incorporated overseas	**7,030**	4,928
Listed United Kingdom government bonds	**8,862**	6,624
Listed United Kingdom non-government bonds	**4,549**	3,743
Listed overseas government bonds	**37,022**	38,828
Miscellaneous international equities	**9,736**	5,802
	90,551	82,418
Cost of investments held at 6 April	**74,976**	61,754
Unrealised appreciation at 6 April	**7,442**	10,686
Fair value of investments held at 6 April	**82,418**	72,440
Additions at cost	**22,728**	35,239
Disposals proceeds	**(23,858)**	(32,407)
Transaction costs	**(54)**	(53)
Exchange gains/(losses)	**1,323**	(7)
Disposals – realised gains	**7,589**	8,386
Increase/(decrease) in unrealised appreciation	**405**	(1,180)
Fair value of investments held at 5 April	**90,551**	82,418
Book cost at 5 April	**79,077**	74,976
Unrealised appreciation at 5 April	**11,474**	7,442
	90,551	82,418
Exchange gains/(losses)	**1,323**	(7)
Disposals – realised gains	**7,589**	8,386
Increase/(decrease) in unrealised appreciation	**405**	(1,180)
Gains on investments	**7,994**	7,206

The geographical spread of investments is shown on page 7.

10 Debtors

	2013 £'000	2012 £'000
Cash held by the custodian awaiting investment	**2,930**	2,092
Prepayments and accrued income	**245**	334
Other debtors	**8**	–
Corporation tax	**42**	–
	3,225	2,426

Notes to the Financial Statements (continued)

11 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Accruals and deferred income	**328**	234

12 Called-up share capital

	2013 £'000	2012 £'000
Allotted and fully paid		
At the beginning of the year: 2,919,906 Ordinary shares (2012: 2,847,906)	**730**	712
Allotted during the year: 2,000 Ordinary shares (2012: 72,000)	**–**	18
At the end of the year: 2,921,906 Ordinary shares (2012: 2,919,906)	**730**	730

The Company allotted 2,000 Ordinary shares of 25p each in the period (2012: 72,000) for a consideration of £68,000 (2012: £2,259,000).

13 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments held £'000	Capital reserve arising on investments sold £'000	Revenue reserve £'000
Balance at 6 April 2012	11,862	16	7,442	62,872	1,715
Share issues during the year	68	–	–	–	–
Exchange gains on investments	–	–	1,020	303	–
Net gains on realisation of investments	–	–	–	7,589	–
Net increase in unrealised appreciation	–	–	405	–	–
Transfer on disposal of investments	–	–	2,653	(2,653)	–
Transaction costs	–	–	(46)	(8)	–
Costs charged to capital	–	–	–	(453)	–
Tax on costs charged to capital	–	–	–	32	–
Net revenue for the year	–	–	–	–	462
Dividends paid (note 7)	–	–	–	–	(540)
Balance at 5 April 2013	11,930	16	11,474	67,682	1,637

Under the current articles of association of the Company, the revenue reserve is the only reserve from which dividends can be paid. However, the Company is proposing an amendment to its articles of association at its forthcoming AGM to remove the prohibition on the distribution of capital profits by way of dividend.

14 Net asset value per share

The net asset value per share and the net asset value attributable to each class of share at the year end, calculated in accordance with the articles of association, were as follows:

Net asset value per share attributable to

	2013	2012
Ordinary shares (basic)	**3,198.9p**	2,898.6p

Net asset value attributable to

	2013 £'000	2012 £'000
Ordinary Shares (basic)	**93,469**	84,637

The movements during the year in the assets attributable to the Ordinary shares are detailed in note 15 on page 34.

Net asset value per Ordinary share is based on the net assets, as shown above, and on 2,921,906 (2012: 2,919,906) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Notes to the Financial Statements (continued)

15 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Opening equity shareholders' funds	**84,637**	75,550
Ordinary shares issued during the year	**68**	2,259
Net return for the financial year	**9,304**	7,355
Dividends paid (note 7)	**(540)**	(527)
Closing equity shareholders' funds	**93,469**	84,637

16 Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2013 £'000	2012 £'000
Net revenue before finance costs and taxation	**395**	672
Investment management fee charged to capital	**(453)**	(422)
Increase in creditors	**94**	14
Decrease in other debtors, prepayments and accrued income	**81**	86
Net cash inflow from operating activities	**117**	350

17 Analysis of net funds

	2013 £'000	2012 £'000
Cash at bank and in hand	**21**	27

18 Reconciliation of net cash flow to movement in net funds

	2013 £'000	2012 £'000
Net funds at the beginning of the year	**27**	759
Decrease in cash for the year	**(6)**	(732)
Net funds at the end of the year	**21**	27

19 Financial instruments

The Company's financial instruments comprise:

- investment trust ordinary shares, investment trust capital shares, investment trust zero dividend preference shares, commodity funds and real estate, and fixed and index-linked securities that are held in accordance with the Company's investment objective;
- 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 price risk, interest rate risk, foreign currency risk and credit risk. The Board regularly reviews and agrees policies for managing 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.

Market price risk

Market price 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 7-9. All investments are stated at bid value, which in the directors' opinion is equal to fair value.

19 Financial instruments continued

Market price risk continued

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 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 balance sheet date with all other variables held constant.

	2013 5% increase in market prices £'000	**2013 5% decrease in market prices £'000**	2012 5% increase in market prices £'000	2012 5% decrease in market prices £'000
Income statement – net return after taxation				
Revenue return	**(14)**	**14**	(14)	14
Capital return	**4,510**	**(4,510)**	4,104	(4,104)
Total return after taxation	**4,496**	**(4,496)**	4,090	(4,090)
Net assets	**4,496**	**(4,496)**	4,090	(4,090)
Net asset value per share	**153.87p**	**(153.87)p**	140.07p	(140.07)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 different price to its purchase level and a profit or loss may be incurred.

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 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 balance sheet date with all other variables held constant.

	2013 1% increase in market rates £'000	**2013 1% decrease in market rates £'000**	2012 1% increase in market rates £'000	2012 1% decrease in market rates £'000
Income statement – net return after taxation				
Revenue return	**23**	**(23)**	17	(17)
Capital return	**–**	**–**	–	–
Total return after taxation	**23**	**(23)**	17	(17)
Net assets	**23**	**(23)**	17	(17)
Net asset value per share	**0.79p**	**(0.79)p**	0.58p	(0.58)p

Notes to the Financial Statements (continued)

19 Financial instruments continued

The interest rate profile of the Company's assets at 5 April 2013 was as follows:

	Total (as per Balance Sheet) £'000	Floating rate £'000	Index linked £'000	Other fixed rate £'000	Financial 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	30,382	–	–	–	30,382	–	–
UK index-linked government bonds	8,862	–	8,862	–	–	0.6	13.1
UK non-government bonds	4,549	–	–	4,549	–	5.0	5.0
Overseas index-linked government bonds	32,241	–	32,241	–	–	1.2	10.3
Overseas government bonds	4,781	–	–	4,781	–	1.6	6.2
Other equities	9,736	–	–	–	9,736	–	–
Deposits	2,930	2,930	–	–	–	–	–
Invested Funds	93,481	2,930	41,103	9,330	40,118	–	–
Cash at bank	21	–	–	–	21	–	–
Other debtors	295	–	–	–	295	–	–
Liabilities							
Creditors	(328)	–	–	–	(328)	–	–
Total net assets	93,469	2,930	41,103	9,330	40,106	–	–

The interest rate profile of the Company's assets at 5 April 2012 was as follows:

	Total (as per Balance Sheet) £'000	Floating rate £'000	Index linked £'000	Other fixed rate £'000	Financial 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	27,421	–	–	–	27,421	–	–
UK index-linked government bonds	6,624	–	6,624	–	–	0.6	16.2
UK non-government bonds	3,743	–	–	3,743	–	3.4	6.0
Overseas index-linked government bonds	33,028	–	33,028	–	–	1.2	11.9
Overseas government bonds	5,800	–	–	5,800	–	2.9	8.8
Other equities	5,802	–	–	–	5,802	–	–
Deposits	2,092	2,092	–	–	–	–	–
Invested Funds	84,510	2,092	39,652	9,543	33,223	–	–
Cash at bank	27	–	–	–	27	–	–
Other debtors	334	–	–	–	334	–	–
Liabilities							
Creditors	(234)	–	–	–	(234)	–	–
Total net assets	84,637	2,092	39,652	9,543	33,350	–	–

Notes to the Financial Statements (continued)

19 Financial instruments continued

Fair value of financial assets and liabilities

All financial assets and liabilities are either included in the Balance Sheet at fair value or at a reasonable approximation of fair value.

Effective 1 January 2009, the Company adopted the amendment to FRS 29 for financial instruments that are measured in the Balance Sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Company's assets that are measured at fair value through the Income Statement are investments in listed securities and are fair valued under level 1 of the fair value measurement hierarchy. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

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:

	2013 Investments £'000	**2013 Accrued interest £'000**	2012 Investments £'000	2012 Accrued interest £'000
Canadian Dollar	**1,171**	**9**	1,140	9
Euro	**1,851**	**2**	5,274	70
US Dollar	**24,933**	**50**	22,249	65
Swedish Krona	**6,301**	**39**	6,649	44
Swiss Franc	**5,011**	**29**	4,932	29
Australian Dollar	**165**	**–**	271	–
Japanese Yen	**1,532**	**6**	1,669	7
	40,964	**135**	42,184	224

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 share to an increase or decrease of 5% 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 balance sheet date with all other variables held constant.

	2013 5% appreciation of Sterling £'000	**2013 5% depreciation of Sterling £'000**	2012 5% appreciation of Sterling £'000	2012 5% depreciation of Sterling £'000
Income statement – net return after taxation				
Revenue return	**(22)**	**22**	(34)	34
Capital return	**(2,048)**	**2,048**	(2,122)	2,122
Total return after taxation	**(2,070)**	**2,070**	(2,156)	2,156
Net assets	**(2,070)**	**2,070**	(2,156)	2,156
Net asset value per share	**(70.84)p**	**70.84p**	(73.84)p	73.84p

Liquidity risk

Liquidity risk is not considered to be significant as the Company has no bank loans or other borrowings. All liabilities are payable within 3 months.

Notes to the Financial Statements (continued)

19 Financial instruments continued

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 credit 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.

Credit risk exposure

Compared to the Balance Sheet, the maximum credit risk exposure is:

	2013 Balance sheet £'000	**2013 Maximum exposure £'000**	2012 Balance sheet £'000	2012 Maximum exposure £'000
Fixed assets – listed investments at fair value through profit and loss	**90,551**	**50,433**	82,418	49,195
Debtors – amounts due from the custodian, dividends and interest receivable	**3,165**	**3,165**	2,417	2,417
Cash at bank	**21**	**21**	27	27
	93,737	**53,619**	84,862	51,639

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity.

The Company's capital at 5 April 2013 of £93,469,000 (2012: £84,637,000) 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. This review includes:

- the planned level of gearing, which takes into account the investment manager's views on the market;
- the need to buy back equity shares;
- the need for new issues of equity shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

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.

20 Related-party transactions

Related-party transactions with Mr R P A Spiller, a director of the Company, are disclosed in notes 3 and 5 to the financial statements. There were no other related-party transactions.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the fiftieth Annual General Meeting of the Company will be held at the offices of Smith & Williamson Investment Management Limited, 25 Moorgate, London EC2R 6AY on Friday, 19 July 2013 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive the Report of the Directors and the audited accounts for the year ended 5 April 2013.
2. To approve the Directors' Remuneration Report for the year ended 5 April 2013.
3. To declare a final dividend of 16 pence per ordinary share.
4. To re-elect Tony Pattison as a director.
5. To re-elect Peter Spiller as a director.
6. To re-elect George Prescott as a director.
7. To re-elect Graham Meek as a director.
8. To re-appoint PricewaterhouseCoopers 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 resolution 10 will be proposed as an ordinary resolution and resolutions 11 to 15 will be proposed as special resolutions:

Ordinary resolution

Directors' authority to allot shares

10. 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 £243,492.25 (being one third of the issued share capital of the Company at the date of the notice convening the meeting at which this resolution is proposed, and representing 973,969 Ordinary shares of 25p each), provided that such authority shall expire at the conclusion of the AGM of the Company to be held in 2014, 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

11. 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 10 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 shares (within the meaning of section 560 of the Act) if, immediately before the sale, such shares 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 25p 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 £73,047.75 or, if less, the number representing 10% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed; and

    this power shall expire at the conclusion of the AGM of the Company to be held in 2014, 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.

Notice of Annual General Meeting (continued)

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

12. 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 25p each in the Company (the "Ordinary Shares"), provided that:

    a) the maximum aggregate number of Ordinary Shares to be purchased shall be 437,693 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 25p;

    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;

        (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 2014 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.

Notice of general meetings

13. THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

Authority to pay dividends out of capital profits

14. THAT with effect from the passing of this resolution and pursuant to section 21(1) of the Companies Act 2006, the articles of association of the Company be and are hereby amended by:

    a) deleting article 144.1 and replacing it with the following new article:

        144.1 The Company is permitted to make distributions out of its capital profits in accordance with the Companies Act 2006, as amended by the Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations 2012.

    b) deleting article 144.2 in its entirety.

15. THAT the amended articles of association produced to the meeting at which this resolution is proposed (and initialled by the chairman of the meeting for the purpose of identification) be adopted as the articles of association of the Company.

By order of the Board

TMF Nominees Limited
Company Secretary

Registered Office:
Waterfront Plaza,
8 Laganbank Road
Belfast BT1 3LR
28 May 2013

Location of Annual General Meeting

Smith & Williamson Investment Management Limited 25 Moorgate London EC2R 6AY	at 11.00 a.m. on Friday, 19 July 2013
Nearest National Rail Stations:	Moorgate, Liverpool Street and Cannon Street
Nearest London Underground Stations:	Moorgate – Circle, Metropolitan, Hammersmith & City and Northern Lines
	Bank – Central, Northern, Waterloo & City Lines and Docklands Light Railway

Notice of Annual General Meeting (continued)

Notes

1. Members are entitled to attend, speak and vote at the annual general meeting (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 of that member.
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 or any CREST Proxy Instruction (as described in note 8 below) will not prevent a member from subsequently attending the AGM and voting in person if they so wish.
3. To be valid, the proxy form and any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Company's registrar (either using the reply envelope provided or delivered by post or by hand to, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 11.00 a.m. on 17 July 2013 (the "specified time"), or in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which the proxy is to be used. No account shall be taken of any part of any day that is not a working day.
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 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. The Company, pursuant to section 360B of the Companies Act 2006 and to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members detailed in the register of members at the specified time shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend and vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the time applicable to the original AGM, that time will also apply for the purpose of determining the entitlement of members to attend and vote. If however the AGM is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours prior to the time fixed for such adjourned AGM.
7. 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.
8. 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/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. 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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
10. Resolutions 1 to 10 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 11 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.
11. As at 28 May 2013 (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 2,921,906.
12. Biographical details of the directors seeking re-election can be found at page 4 of the report and accounts.
13. Copies of the letters of appointment for the non-executive directors will be available for inspection at the Company's registered office and the office of the company secretary, and also at the office of TMF Management (UK) Limited, 5th Floor, 6 St. Andrew Street, London EC4A 3AE, during usual business hours on any weekday (public holidays excluded) from the date of this notice until the close of the AGM and will also be available for inspection at the AGM from 10.30 a.m. until the close of the AGM.
14. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.capitalgearingtrust.com.

Shareholder Information

Financial Reporting	Copies of the Company's annual and half-year reports and interim management statements 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
Interim Management Statements	June-August & December-February

Frequency of NAV Publication — Weekly

How to Invest — Via your bank, stockbroker or other financial adviser

Sources of Further Information

Company's website	www.capitalgearingtrust.com
Financial Times	www.ft.com
AIC	www.theaic.co.uk

Share Identification Codes

SEDOL:	0173861
ISIN:	GB0001738615
BLOOMBERG:	CGT:LN
FT:	CGT:LSE

Substantial Shareholdings

The Disclosure and Transparency Rules require shareholders of the Company to simultaneously 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.gov.uk/pages/doing/ukla/company/notifications/index.shtml

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 0870 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

Directory

Registered Office	Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3LR
Registered Number	NI 005574
Company Secretary	TMF Nominees Limited 400 Capability Green, Luton LU1 3AE Telephone: 01582 439200 Fax: 01582 439207 E-mail: company.secretary@capitalgearingtrust.com
Registrar	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS13 8AE
Shareholder Services	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS13 8AE Contact telephone number: 0870 873 5864 Phonelines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday
Investment Manager	CG Asset Management Limited 25 Moorgate, London EC2R 6AY
Custodian & Administrator	Northern Trust 50 Bank Street, Canary Wharf, London E14 5NT
Bankers	Danske Bank Limited Donegall Square West, Belfast BT1 6JS
Independent Auditors	PricewaterhouseCoopers LLP Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3LR
Corporate Stockbrokers	JP Morgan Cazenove 20 Moorgate, London EC2R 6DA

Shareholder Analysis

As at 5 April:	**2013 Number of shares**	**2013 % of Issued capital**	2012 Number of shares	2012 % of Issued capital
Nominee companies	**2,201,512**	**75.3**	2,191,743	75.1
Private shareholders	**691,010**	**23.7**	701,687	24.0
Banks and other companies	**29,384**	**1.0**	26,476	0.9
	2,921,906	**100**	2,916,906	100

Notes

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www.capitalgearingtrust.com