CAPITAL GEARING TRUST P.L.C.

Annual Report and Accounts

For the year ended 5 April 2014

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, and which have a willingness to hold cash, bonds, index linked securities and commodities when appropriate.

- **Issuance and repurchase of shares in the Company**
  In addition to shareholder's ability to sell shares on the market, 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 2014, 2,926,906 shares were in issue (5 April 2013: 2,921,906). 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 updated 6 April 2014. 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 LLP, 25 Moorgate, London EC2R 6AY at 11.00 a.m. on Friday, 11 July 2014.

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

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

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The Association of Investment Companies

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

Contents

Highlights

	5 April 2014	5 April 2013	% Change
Share Price	3,339.5p	3,425.0p	-2.5
Net asset value per share	3,119.7p	3,198.9p	-2.5
Premium	7.0%	7.1%	–
Shareholders' funds	£91.3m	£93.5m	-2.4
Market capitalisation	£97.7m	£100.1m	-2.4
Ongoing charges percentage*	1.24%	1.26%	–
Dividend per share:			
Ordinary	16.00p	16.00p	–
Special	0.00p	0.00p	–
	16.00p	16.00p	–

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

Performance

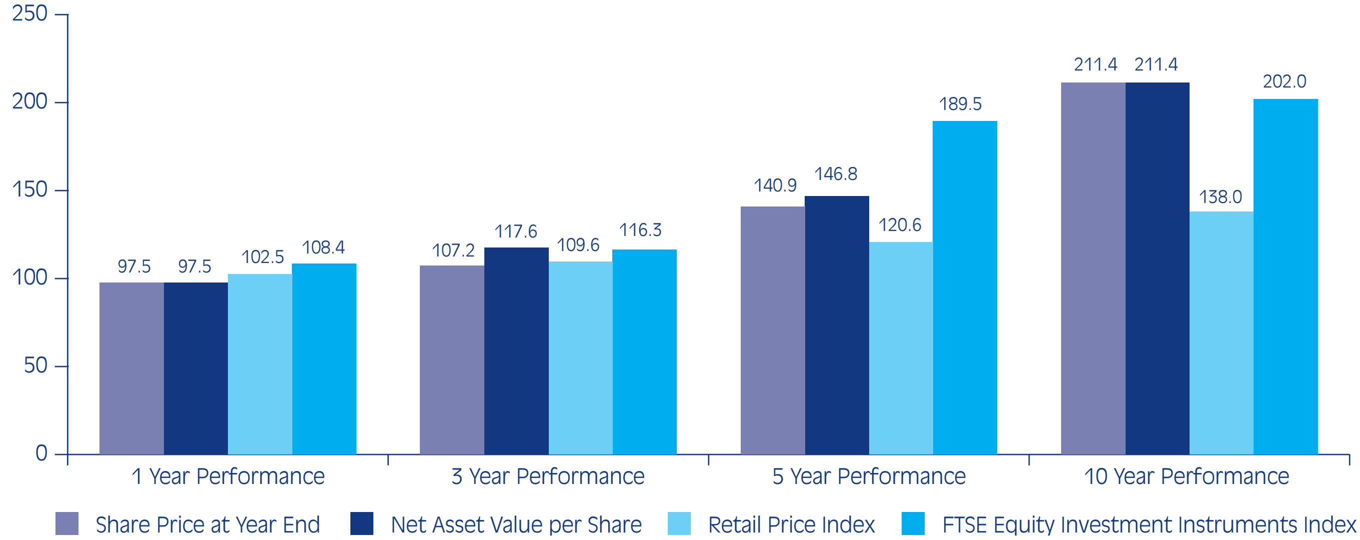
Performance in the 10 years to 2014

					FTSE Equity Investment Instruments Index*		
5 April	Net assets £'000	NAV per 25p share p	Appreciation on previous year %	Cumulative appreciation from 5 April 2004 %	Index	Appreciation on previous year %	Cumulative appreciation from 5 April 2004 %
2005	46,612	1,692.0	15	15	4,052.0	13	13
2006	54,136	1,937.0	14	31	5,651.1	39	57
2007	56,576	2,024.2	5	37	6,032.7	7	68
2008	59,432	2,126.4	5	44	5,765.2	(4)	61
2009	59,404	2,125.4	–	44	3,824.2	(34)	7
2010	68,962	2,467.4	16	67	5,592.2	46	56
2011	75,550	2,652.8	8	80	6,230.4	11	74
2012	84,637	2,898.6	9	96	5,931.8	(5)	65
2013	93,469	3,198.9	10	117	6,683.5	13	86
2014	91,312	3,119.7	(2)	111	7,247.0	8	102

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

Performance over the last 10 years

The graph below demonstrates 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 2014. All figures are rebased to 100 at the start of the measurement period.

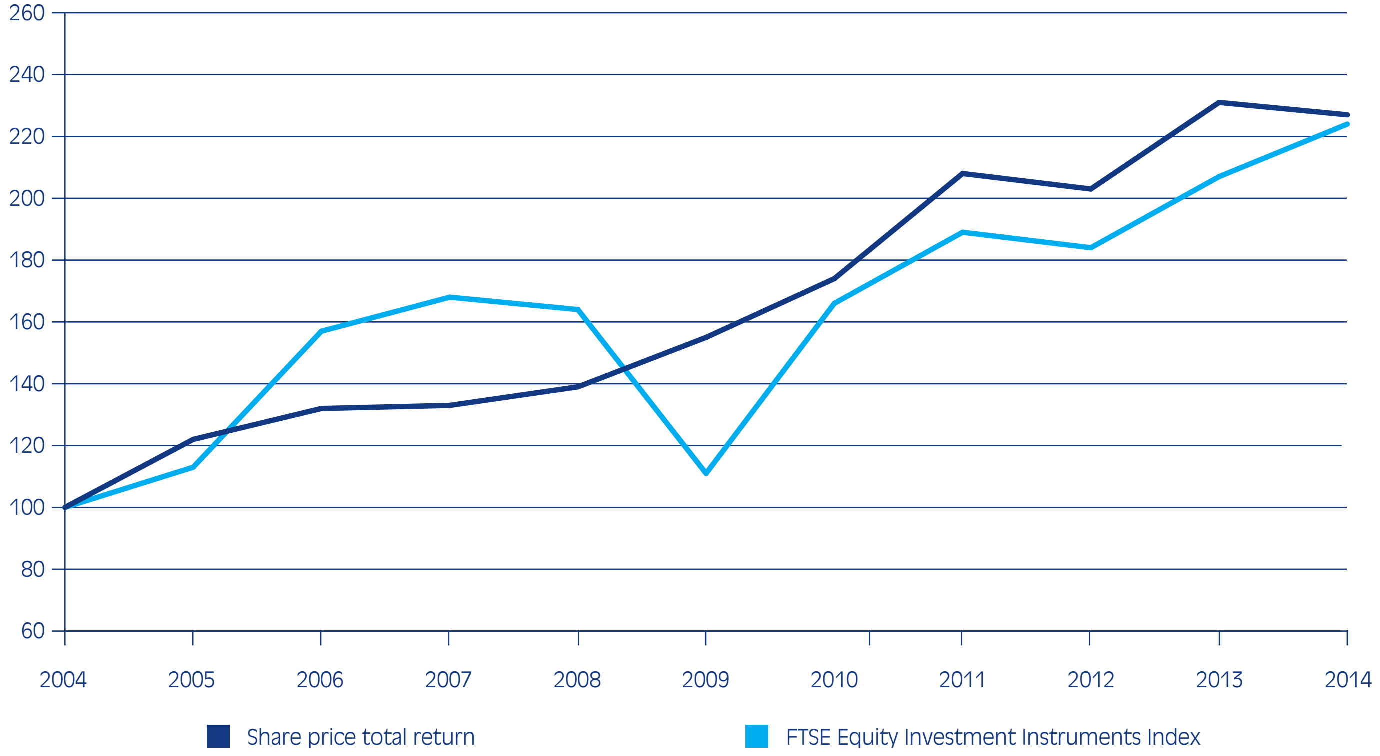


*Source: CG Asset Management Limited

Performance (continued)

Share price total return performance 2004 to 2014

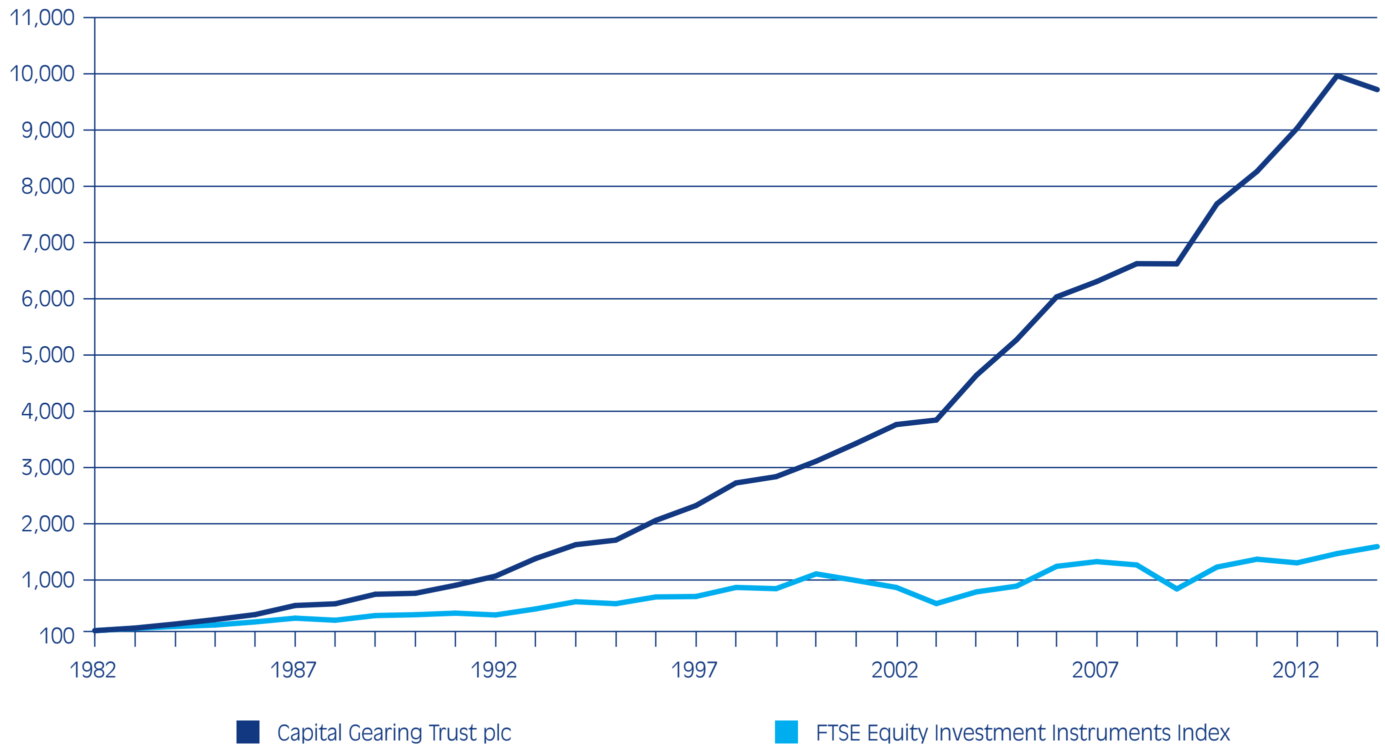
Based on mid-market prices, the graph below illustrates the total return to investors over the past 10 years, compared with the total return on the FTSE Equity Investment Instruments Index*. It is assumed that all dividends received were reinvested without transaction costs. Each measure is rebased to 100 in 2004.



*Source: CG Asset Management Ltd

NAV 1982 to 2014

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



*Source: CG Asset Management Ltd

The Board's Strategic Report
Chairman's Statement

Overview
As at 5 April 2014, the net asset value (NAV) per share was 3,119.7p compared to 3,198.9p, on 5 April 2013. As it is the Company's stated policy to achieve growth in absolute terms, it is therefore disappointing to have to report, that for the first time in over thirty years, this objective has not been met.

In contrast to quite ebullient equity markets, bond yields increased over the year with the capital value of both conventional and index linked securities falling on average by 7.0%. Meanwhile, Sterling has been particularly strong and has appreciated by over 9.0% against the US Dollar. For the most part, the fall of 2.5% in the NAV over the year reflects the portfolio's relatively high exposure to underperforming defensive asset classes and unfavourable currency movements.

As part of its ongoing assessment of its Fund Manager, the Board uses a number of key indicators to monitor investment performance and these include peer group comparisons. The past year has proved to be a most difficult period for those investors holding defensive assets and although of little consolation, it comes as no surprise that the performance is very similar to that of those investment companies with comparable investment objectives and methodology.

Although performance may have been disappointing in the short term, the current asset allocation remains defensively positioned and continues to reflect a policy of capital preservation as much as sustainable asset growth. As at the year-end, fixed interest, index linked securities and cash represented 52.0% of total assets (2013: 57.0%) with a further 19.1%. held in zero dividend preference shares (2013 15.6%).

Dividend
Last year, a total distribution of 16.00p per ordinary share was made. At this year's annual general meeting (the "AGM"), the Board will also be recommending a distribution of 16.00p per ordinary share.

Investment management fee
In recognition of the significant organic growth of the Company's gross assets in recent years, CG Asset Management has reduced its investment management fee from 0.85% to 0.60% of gross assets effective 6 April 2014.

Annual general meeting
This year, the AGM will be held in London at the offices of Smith & Williamson Investment Management Limited on Friday 11 July 2014 at 11.00 a.m. The notice convening the fifty-first 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, including a shareholders' question and answer session.

Issuance and repurchase of shares
The Board continually monitors the volatility of the share price relative to the NAV and it was noticeable that this was far more pronounced last year compared to previous years. While, the Board has no control over short term share price movements it firmly believes that there should be no significant discount to net asset value and seeks to restrain the premium to 15%.

In this regard, the Board continues to operate a discount/premium control mechanism whereby major market supply and demand imbalances are satisfied by either the issuance of shares at a premium to net asset value or buying back shares at a discount. 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.

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. Shareholders are however reminded that may be able to sell their shares through the market at any time.

The Board
It is the Board's intention to progressively refresh its membership and to ensure that the individuals serving as directors have the appropriate mix of complementary skills to ensure effective corporate governance.

As announced previously, Alastair Laing has joined the Board of the Company during the year. Mr Laing is a director of our Investment Manager CG Asset Management Limited and, alongside Peter Spiller, is the co-fund manager of the Company's investments. Mr Laing will offer himself for election at the forthcoming AGM.

Mr Spiller, having been a serving director since 1986, has decided not to stand for re-election at the AGM but his role of co-fund manager will remain unchanged. On behalf of the Board, I would like to thank Mr Spiller for his invaluable contribution as a director.

Additional changes to the composition of the Board may be anticipated in the medium term. Meanwhile, Mr Meek and I will retire at the AGM and offer ourselves for re-election. Further details in respect of each director's retirement, evaluation and re-election can be found on page 16.

Chairman's Statement

Regulatory changes

As highlighted previously, the Company is an 'Alternative Investment Fund' ("AIF"), as defined by the Alternative Investment Managers Directive. Your Board has applied to the FCA to be registered under the Directive as a 'small internally managed AIF' and is fully compliant with the requirements of the Directive, as applicable to small internally managed AIFs.

As 'leverage' for AIFM Directive purposes is far wider than the conventional definition of gearing, this position is being continually monitored. There are convertible debt instruments within the Company's portfolio which may be deemed leverage, and consequently the Investment Manager has been instructed by the Board to manage its leveraged positions to comply with the sub-threshold regulations. The Manager has confirmed that the leveraged positions held in the portfolio are relatively light and can be netted off against the sterling cash deposits without compromising the sub-threshold regulations. A due diligence process has commenced with a view to being in a position to apply for full scope authorisation in the longer term.

In respect of the Foreign Account Tax Compliance Act ("FATCA"), I am pleased to confirm that the Company has registered as a Reporting Financial Institution with the US Internal Revenue Service to be included in the first list of Global Intermediary Identification Numbers ("GIINs"). All UK-resident financial institutions, which include investment trusts, must comply with UK regulations which have been introduced to implement the FATCA's key provisions.

Outlook

For the risk-averse investor the short term outlook remains challenging. The quantitative easing and low interest-rate policies that have been promoted by central banks have boosted equity prices and most markets are now looking fully valued. Certain asset classes such as residential property have also risen to levels not seen for some time and in prime locations look excessively overpriced. An increase in market volatility could materialise. Meanwhile traditional bond yields are stable for the moment, but with interest rates likely to rise at some stage in the foreseeable future they are unlikely to make much upward progress. It is therefore probable that a period of low absolute returns is more likely until valuations return to more attractive levels.

Mr T R Pattison
Chairman
28 May 2014

The Board's Strategic Report (continued)

Investment Objective and Investment Policy

Investment objective

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.

The Company uses the RPI as a comparator. However, such a comparator is not used as a reason to suspend the exercise of investment judgement by CG Asset Management Limited ("CGAM") as investment manager, or by the Board.

The investment objective and policy of the Company 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.

Investment policy

Policy and risk

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, and which have 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 instruments, 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. CGAM and the Board monitor the investment portfolio regularly and amend investments and asset allocation as necessary to maximise shareholder returns.

The Board recognises a number of risks associated with operating in a regulatory environment and monitors operations closely in conjunction with their advisors in relation to sections 1158 to 1162 of Corporation Tax Act 2010, the UKLA Listing Rules and the Companies Act 2006. CGAM reports to the board regularly in this respect and the Board monitors compliance with these regulations.

Asset allocation

Subject to Listing Rule 15.2.5, 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% in accordance with Listing Rule LR 15.2.5. It is however the aim of the Company to maintain a maximum 6% investment level in such companies in order to avoid any potential breach of this rule and to maintain investment flexibility.

The 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 and shall be subject to prior Board approval. 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, and includes on its website a disclosure about the nature of its commitment to the FRC's Stewardship Code; 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.

The Board's Strategic Report (continued)
Strategic Review

Investment strategy and business model
Capital Gearing Trust seeks to deliver absolute returns through the construction of multi asset portfolios with a specialist focus on Investment Trust Equities and related securities. Portfolio construction is the key tool to mitigate capital loss in any given year. The fund manager allocates across assets classes based on an assessment of macro-economic and capital markets risks, with the aim of avoiding capital loss. In addition a portion of the portfolio is invested into the investment trust market with the aim of exploiting inefficiencies to generate risk adjusted returns that are superior to those available in more liquid equity markets.

Key performance indicators ("KPIs")
The Board monitors numerous KPI indices and ratios for the purpose of assessing and reporting investment performance. The Company seeks to achieve capital growth in real terms over both short-term and long-term periods, so returns are compared to the Retail Price Index ("RPI") over 1, 3, 5 and 10 years. The RPI measures average consumer inflection in the United Kingdom.

The Company also seeks to achieve superior risk-adjusted returns over longer term periods, so performance is compared to the FTSE Equity Investment Instruments Index, with particular emphasis over 5-year and 10-year periods. The FTSE Equity Investment Instruments Index measures the aggregate performance of London-Listed investment trusts. Historically this Index has performed similarly to the FTSE All Share, although over long periods, the FTSE Equity Investment Instruments Index typically delivers better returns.

Graphs showing the performance of the Company's NAV per share compared with the RPI and the FTSE Equity Investment Instruments Index over one, three, five and ten years and over the period from 1982 are shown on pages 2 and 3.

In addition, the Board monitors the following KPIs:

- Share price premium/discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back (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 7.1% compared with 7.0% at the year end.

- Ongoing charges percentage, calculated using the methodology recommended by the Association of Investment Companies which enables the Board to measure the control of costs and help in meeting the dividend payment objective. This percentage was 1.24% for the year to 5 April 2014 (2013: 1.26%).

- Peer group comparison, using a selected group of investment trusts of similar size and strategy.

Principal risks and uncertainties
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 a 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 page 43. Other risks are identified and managed by the Company's internal control and risk management system, which is summarised on pages 22 and 23.

Employee, human rights, social and environmental matters
The Board recognises the requirement under section 414C Companies Act 2006 to provide information about employees, human rights and community issues, including information in respect of any policies it has in relation to these matters and their effectiveness. These requirements do not apply to the Company as it has no employees, all directors are non-executive and it has outsourced all its function to third-party providers. The Company has therefore not reported further in respect of these provisions.

The Company has limited direct impact on the environment. It 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 CGAM's management of the portfolio of investments takes account of social, environmental and ethical factors where appropriate.

Gender and diversity
At the end of the year under review, the Board comprised five male directors. The Board supports the principle of boardroom diversity in its broadest sense, in terms of gender, expertise, geographic background, age and race. Our Company is specialised and our priority to shareholders is to have a board with the specialist abilities to look after the Company's investments. In addition, the Board should be able to demonstrate with conviction that any new appointee would make a meaningful contribution. It is the Board's policy to review its composition regularly and, when appropriate, to refresh the Board through recruitment, with the aim of having the blend of skills and attributes that will best serve shareholders in the future. We believe that gender is an important consideration and we are committed to including women on our Board when candidates with the relevant expertise are available.

Investment Manager's Report

Review

The objective of Capital Gearing Trust P.l.c. (the "Company") is to deliver absolute returns. To expand this objective a little the Company seeks to achieve superior risk adjusted returns over the long term without suffering negative returns over a 12 month period. It is with great sadness we must report that this year is the first time this objective has not been met since taking over management of the portfolios in 1982, when measured over the financial year. Not only was it a difficult year in absolute terms, but also in relative terms. The Company has suffered two years of comparable underperformance relative to the FTSE All Share Index: 1998 and 2006. These were both years when the Company delivered lacklustre performance against the backdrop of a strong equity market. In both of those years long equity bull markets were maturing, momentum was positive but valuations were stretched. We believe there are general similarities with the equity markets today. The major difference between today and those earlier periods is the pricing of defensive assets. Today there are few obvious places to sit out of the frothy equity market that can deliver a modest but safe real return after fees and tax. Asset allocators are faced with the unedifying choice of defensive assets that offer a small but guaranteed real loss, or risk assets that offer a modest real return and the risk of considerable permanent capital loss.

2013 proved to be the year of the optimists. The unexpectedly strong rate of developed market economic growth helped to sustain a strong equity bull market and sent long bond yields higher as investors pulled forward their assumptions of the timing of interest rate rises. Major Western equity markets rallied between 15% and 30% despite anaemic or more commonly negative earnings growth. This dynamic was challenging for the Company with significant holdings of government bonds and a relatively low weighting in equities. However, the most significant headwind has been the strength of Sterling. Almost half the assets in the Company are outside the UK and are exposed to foreign exchange fluctuations. The pound has strengthened 13% relative to the Yen and 9% relative to the US Dollar over the year. The portfolio positioning anticipated the risk of potential weakness in the bond markets; however we did not anticipate the combination of weak bond markets and a dramatically strong currency.

2014 has not started with quite the same exuberance. A key source of concern is the health of emerging markets economies, many of which have experienced strong credit growth over the last 5 years as hot money poured in seeking to escape recurring crises in developed markets. The resultant strong credit growth means a number of emerging markets are now poorly placed to weather a global cycle of interest rate rises. Russia's annexation of Crimea and the amassing of troops on the Ukrainian border casts a long shadow over a fragile European recovery and reminds us that geo-political risk remains ever present and impossible to predict. Even within the Anglo-Saxon economies, where the recovery looks most entrenched, aggregate debt levels remain extremely elevated and are growing again after a brief period of deleverage.

So it is relatively easy to identify unresolved fragilities in emerging and developed market economies. However, when assessing the risks to capital preservation our main focus is always on valuations across the asset classes we invest in. These have all been stretched by successive rounds of quantitative easing ("QE") to levels that could not be supported in a normal interest rate environment. As the interest rate cycle starts to turn and QE comes to an end there is a significant risk of correction in a number of markets. There has been recent weakness in emerging market stocks and a reasonably sharp reversal in some momentum stocks, most notably in the technology and biotechnology sectors. Even the broader S&P 500, which has been the most resilient of the global stock indices, is showing signs of fatigue. Forecasting short term market returns is, as always, a futile exercise. Over the medium term, return prospects are low and risk is elevated so we continue to believe a well-diversified and defensively orientated portfolio is the appropriate allocation for an absolute return portfolio.

Fortunately the investment trust ordinary share holdings (29% of the portfolio) continue to perform well. Those investment trusts invested in quoted equities (15% of the portfolio) delivered a collective return in excess of the FTSE All Share Index. Other investment trusts invested in specialist areas, such as unleveraged infrastructure or fund of hedge funds in liquidation (5% and 3% of the portfolio respectively) delivered attractive risk adjusted returns. Whilst the opportunity set is constantly changing, there are reasons to believe the investment trust holdings can continue to deliver strong returns relative to the FTSE All Share. The allocation to index-linked bonds has been reduced to 33%. This in part reflects organic rebalancing within the portfolio, however the reduction is also from selling some of the longer duration bonds. In time the proceeds from these sales are likely to be reinvested back into the index-linked market. However whilst there is elevated volatility around the end of QE we are managing the bond duration shorter and holding higher levels of cash than normal. In summary the portfolio is even more defensive than last year with higher cash holdings, shorter bond duration and a carefully managed equity exposure.

Outlook

The aggressively accommodative monetary policy pursued since the early to mid '90s distorted both asset prices and the economy. The resulting crash presented a choice to the authorities: accept a major recession with associated deflation or run risks with inflation by conducting an experiment with exceptional monetary policy over a prolonged period. This latter choice – of course, the one chosen – has yet to play out, but at least it has preserved the world from a repeat of the 1930s. As expected by, for instance, Reinhart & Rogoff, growth has been sub-par as the process of deleveraging continues, but now confidence has risen and growth in the US and the UK has surprised economists by overcoming the headwinds of fiscal contraction. This has, however, been achieved by reducing the savings level in the US to 4.3% of income, only just above the 2007 trough. Continued growth therefore depends on rising investments, net exports or wages. All of these seem possible, though weak overseas demand may limit exports despite the help from shale oil.

Inflation is evident in the equity markets, even if not yet in consumer prices. Rises in the S&P 500 have been directly correlated to each episode of QE. Other asset classes have reflected the same influence, including high yield bonds and property. Historically, the medium-term prospective real returns from all assets at these valuations have been close to zero on the assumption that the environment for interest rates normalises. If that is combined with an expectation of elevated levels of inflation – and that remains the most probable outcome – then the main aim of asset allocation now is the preservation of capital after inflation, costs and taxes; that may not be easy.

One key element is to keep the duration, and hence the exposure to rising long-term nominal interest rates of the portfolio, relatively short. Approximately 23% of the portfolio is invested in zero-dividend preference shares and short-dated convertible bonds, a further 9% in short government bonds in the UK and Switzerland and 10% in cash. 33% is in index-linked bonds, though here too the duration is about 7 years, notwithstanding that if and when inflation does arrive these bonds have the potential for significant capital gain in real terms.

Investment Manager's Report

Outlook continued

Equities, almost all in special situations of one kind or another, have been kept at around 29% of the portfolio, partly because momentum is still positive – the US is still printing, even if at a slower rate, and partly because there are still opportunities in the closed-end world to produce predictable excess returns. Pitfalls for equities include some retreat from record profit margins in the US and a slowing of growth in China as that country grapples with its unbalanced economy and rapidly growing debt.

Further diversification is achieved by holding assets in foreign currencies. Sterling has responded to the expectation of higher interest rates in response to a growing economy on the back of an old fashioned pre-election housing boom. If wages respond, there is a good chance that this will be maintained until the General Election. However, the prospect of a Labour administration might put downward pressure on the currency. That fear may influence markets as early as this summer. Moreover, a deteriorating current account and now rich valuation suggests the medium term direction of Sterling is down, particularly against the U.S. Dollar.

This positioning of the portfolio may be unambitious, but we are confident that more exciting opportunities will arise in the future and it is important to have preserved capital to take advantage of them.

A.R.Laing
28 May 2014

R.P.A. Spiller
28 May 2014

The Board's Strategic Report (continued)

Portfolio Analysis

Distribution of investment funds of £91,324,000 (2013: £93,481,000)

	UK %	North America %	Europe %	Elsewhere %	2014 Total %	2013 Total %
Investment Trust Assets:						
Ordinary shares	15.5	4.2	1.7	7.5	**28.9**	27.4
Zero dividend preference shares	19.0	–	–	–	**19.0**	15.6
Other Assets:						
Index-linked	12.0	14.0	6.0	1.0	**33.0**	43.9
Fixed interest	4.3	–	5.0	–	**9.3**	10.0
Cash	2.8	7.0	–	–	**9.8**	3.1
	53.6	25.2	12.7	8.5	**100**	100

Investments of the Company

	2014 £'000	2013 £'000
Investment Trust Ordinary Shares:		
North Atlantic Smaller Companies	**3,634**	3,097
Renewable Energy Generation	**1,486**	1,169
Prospect Japan Fund	**1,435**	1,394
ETFS Metal Securities (physical gold)	**1,309**	1,705
Invesco Perpetual UK Smaller Companies Investment Trust	**1,167**	707
Mithras Investment Trust	**1,145**	1,288
Strategic Equity Capital	**1,010**	927
Foresight Solar Fund	**880**	–
Private Equity Investor	**820**	935
Jupiter Green Investment Trust	**782**	1,125
Oryx International Growth Fund	**756**	510
Henderson Global Trust	**695**	–
Foreign & Colonial Investment Trust	**682**	–
BH Global	**611**	–
Bluefield Solar	**609**	–
Aurora Investment Trust	**572**	493
Renewable Energy Infrastructure	**529**	–
Japan Residential Investment Company	**516**	450
JP Morgan Private Equity USD	**461**	–
Rights & Issues Investment Trust	**448**	–
Shape Capital	**435**	230
Castle Private Equity	**428**	–
Miton Worldwide Growth Investment Trust	**414**	392
BlackRock Absolute Return Strategies	**411**	752
Greencoat UK Wind	**399**	808
Acencia Debt Strategies	**385**	140
John Laing Environmental Assets Group	**319**	–
BlueCrest BlueTrend	**317**	–
Candover Investments	**268**	196
Marwyn Value Investors	**258**	215
Rights & Issues	**254**	–
Aberdeen Latin American Income	**225**	–
Atlantis Japan Growth Fund	**214**	81
Hansa Trust 'A' Shares	**165**	152
Signet Global Fixed Income Strategies	**164**	467
EPE Special Opportunities	**151**	173
Ground Rents Income Fund Ordinary	**134**	–
GCP Infrastructure Investments	**130**	–
Ground Rents Income Fund Preference	**126**	–
Jupiter Primadona Growth Trust	**121**	–
SVM Global Fund	**121**	–
JP Morgan Income & Growth	**110**	68
Witan Pacific Investment Trust	**108**	–
Value & Income Trust	**107**	94

The Board's Strategic Report (continued)

Portfolio Analysis

Investments of the Company continued

	2014 £'000	2013 £'000
Investment Trust Ordinary Shares continued:		
Alternative Liquidity Solutions	**99**	99
International Biotechnology Trust	**99**	–
Dexion Absolute GBP Redemption	**97**	–
Goldman Sachs Dynamic Opportunities	**90**	378
Dexion Trading	**87**	189
Active Capital Trust	**82**	118
Alternative Investment Trust	**76**	165
BACIT	**66**	–
JP Morgan Income & Growth Income	**65**	–
Dexion Absolute USD	**51**	203
Thames River Multi Hedge	**50**	395
Dexion Absolute USD Redemption	**46**	–
North American Banks Fund	**37**	37
Cambium Global Timberland	**34**	53
Dexion Absolute GBP	**33**	429
Absolute Return Trust	**31**	364
RENN Universal Growth Investment Trust	**20**	–
Close European Accelerated Fund	**16**	16
Equity Partnership	**9**	9
Henderson Global Property	**8**	8
Henderson Private Equity Investment Trust	**6**	10
Thompson Clive Investments	**3**	3
Prospect Epicure J-REIT Value Fund	**2**	2
TR Property Investment Trust Sigma	**–**	1,130
Advance Developing Markets	**–**	1,000
Impax Asian Environmental Markets	**–**	873
BlackRock New Energy Investment Trust	**–**	737
EP Global Opportunities Trust	**–**	394
Invesco Leveraged High Yield	**–**	376
Montanaro European Smaller Companies Trust	**–**	276
Investors in Global Real Estate	**–**	235
Fidelity Japanese Values	**–**	214
Tapestry Investment	**–**	102
Crystal Amber Fund	**–**	95
Throgmorton Trust	**–**	56
Henderson European Focus Trust	**–**	44
Vision Opportunity China Fund	**–**	1
	26,418	25,579

	2014 £'000	2013 £'000
Investment Trust Zero Dividend Preference Shares:		
M&G High Income Investment Trust	**2,781**	2,368
Ecofin Water & Power Opportunities Finance	**2,241**	2,148
Aberforth Geared Income Trust	**1,960**	1,827
JP Morgan Income & Capital Trust	**1,456**	948
Electra Private Equity	**1,184**	1,114
Utilico Investments 2018	**1,180**	908
Premier Energy & Water Trust	**1,058**	928
F&C Private Equity	**977**	833
Jupiter Second Split Trust	**849**	731
Utilico Finance 2016	**843**	786
NB Private Equity Partners	**752**	266
Acorn Income Fund 2017	**690**	289
JZ Capital Partners 2016	**538**	–
Jupiter Dividend & Growth Trust	**431**	–
JP Morgan Private Equity 2017	**221**	203
JP Morgan Private Equity 2015	**161**	–
JP Morgan Private Equity 2013	**–**	1,190
	17,322	14,539

The Board's Strategic Report (continued)
Portfolio Analysis

Investments of the Company continued

	2014 £'000	2013 £'000
Index-Linked Securities:		
UK Treasury 0.125% 2024	**3,661**	3,218
UK Treasury 1.25% 2017	**3,540**	–
USA Treasury 2.0% 2026	**3,132**	4,986
USA Treasury 1.375% 2018	**3,122**	3,590
UK Treasury 2.0% 2016	**2,969**	–
Sweden (Kingdom of) 0.5% 2017	**2,573**	2,859
USA Treasury 0.625% 2021	**2,385**	2,845
Sweden (Kingdom of) 3.5% 2028	**2,154**	2,595
USA Treasury 0.125% 2023	**1,774**	2,129
Japan (Govt of) 1.4% 2018	**913**	1,532
USA Treasury 1.125% 2021	**856**	1,019
UK Treasury 1.875% 2022	**821**	899
Sweden (Kingdom of) 4.0% 2020	**729**	848
USA Treasury 1.375% 2020	**705**	832
Canada (Govt of) 4.0% 2031	**567**	1,171
USA Treasury 0.125% 2022	**153**	182
USA Treasury 1.625% 2018	**107**	123
USA Treasury 1.75% 2028	**–**	4,487
UK Treasury 1.25% 2027	**–**	2,742
UK Treasury 0.125% 2029	**–**	2,003
Germany (Federal Republic) 0.1% 2023	**–**	1,851
USA Treasury 2.375% 2027	**–**	1,192
	30,161	41,103

	2014 £'000	2013 £'000
Fixed-Interest Securities:		
Switzerland (Govt of) 3.0% 2018	**3,748**	3,975
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	**917**	804
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2016	**832**	796
SVG Capital 8.25% Convertible 2016	**662**	647
Enterprise Inns 6.5% 2018	**565**	530
Switzerland (Govt of) 2.5% 2036	**403**	446
EPE Special Opportunities Convertible Loan Notes	**349**	349
Switzerland (Govt of) 2.0% 2014	**341**	360
Edinburgh Dragon Trust 3.5% 2018	**194**	205
Scottish American 8.0% 2022	**175**	182
The Mercantile Investment Trust plc 6.125% 2030	**161**	158
Ecofin Water & Power Opportunities plc 6.0% Convertible Unsecured Loan Stock 2016	**104**	–
Aberdeen Asian Smaller Companies 3. 5% 2019	**–**	366
Standard Life UK Smaller Companies 3.5% 2018	**–**	268
BlackRock Latin American 3.5% 2015	**–**	244
	8,451	9,330
Total investments	**82,352**	90,551
Cash held by the custodian awaiting investment	**8,972**	2,930
Total investment funds	**91,324**	93,481

The Strategic Report, contained on pages 4 to 12, has been approved by the Board and signed on its behalf by:

Tony Pattison
Chairman
28 May 2014

Governance Report
Board, Management and Administration

Directors

Mr T R Pattison Chartered FCSI (63) 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 (69) Chairman of the Audit Committee
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 a member of the board of JP Morgan Cazenove Pension Trustee Limited and of Qatar Reinsurance Company LLC. He is also a trustee of M&G Charibond and Charifund. Mr Prescott is 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 (66)
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 (66) Senior Independent Director
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.

Mr A R Laing CA, MBA (37)
Appointed a director on 6 November 2013. Mr Laing joined CG Asset Management Limited in 2011 and has been co-manager of the Company since that time. Mr Laing joined CG Asset Management Limited from Hg Capital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. Alastair was educated at Edinburgh University and was an MBA Scholar at London Business School. He is a member of the Chartered Institute of Accountants of Scotland.

Investment manager

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

Established in 2001. The company currently has five clients: Capital Gearing Trust Plc, the Capital Gearing Portfolio Fund Plc, 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 £1.3 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
50 Bank Street, Canary Wharf, London E14 5NT
Tel.: 020 7982 2000

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
400 Capability Green, Luton LU1 3AE
Tel.: 01582 439200
E-mail: company.secretary@capitalgearingtrust.com

Appointed as Company Secretary in 2007. TMF Nominees Limited is part of the TMF Group which is a global independent provider of business services, with over 4,000 professionals based in more than 100 offices in 83 jurisdictions.

AIC

Association of Investment Companies
www.theaic.co.uk

The AIC is the trade body for closed-ended investment companies. It helps its member companies deliver better returns for their investors through lobbying, media engagement, technical advice, training and events.

Registrar

Computershare Investor Services Plc
The Pavilions, Bridgwater Road, Bristol BS13 8AE
Tel.: 0870 873 5864
Phonelines are open from 8.30am to 5.30pm, Monday – Friday

Banker

Danske Bank Limited
Donegall Square West, Belfast BT1 6JS

Independent auditors

PricewaterhouseCoopers LLP
Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3LR

Corporate stockbroker

JP Morgan Cazenove
20 Moorgate, London EC2R 6DA

Directors' Report

The directors present the annual report and financial statements of Capital Gearing Trust P.l.c. for the year ended 5 April 2014.

Company 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. Following changes to the rules with effect from 1 January 2012, the Company no longer has to seek approval as an investment trust under section 1158 Corporation Tax Act 2010 each year, but had to make a one-off application for approval as an investment trust.

The Company received confirmation from the HM Revenue and Customs that it was accepted as an approved investment trust with effect from 6 April 2014, provided that it continues to meet the eligibility conditions for section 1158 and the ongoing requirements for approved companies in the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company will continue to conduct its affairs as an investment trust. The Company does not fall within the definition of a 'close company' under the CT Act.

Revenue and dividend

The revenue return for the financial year was £315,000 (2013: £462,000).

Your Board recommends the payment of a dividend of 16p per Ordinary share for the year ended 5 April 2014, (2013: 16p) amounting to £468,000 (2013: £468,000) for approval by shareholders at the forthcoming annual general meeting. The dividend will be payable on 17 July 2014 to shareholders on the register of members on 6 June 2014, the associated ex-dividend date being 4 June 2014. Final dividends should not be accrued in the financial statements under FRS 21 unless they are approved by shareholders before the balance sheet date. As such, the amount recognised in the 2014 financial statements comprises the 2013 final dividend.

Net asset value per Ordinary share

The net assets per 25p Ordinary share of the Company were valued at 3,119.7p, as compared with a figure of 3,198.9p as at 5 April 2013.

Share capital and share repurchases

The Company's share capital comprises 2,926,906 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 2014, 2,926,906 Ordinary shares were in issue (2013: 2,921,906).

During the financial year 5,000 ordinary shares were issued as follows: 5,000 shares with an aggregate nominal value of £1,250 were issued to Winterflood Securities Limited for a total consideration of £178,350. The market price of the shares on 29 July 2013, which was the date on which the terms of issue were fixed, was 3,610p per share, compared with the prevailing net asset value of 3,102p on that date.

There are no:

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

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

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

Shares may be repurchased should they be available at a discount of between 1% and 1.25% of net asset value. It is intended that any shares purchased will be transferred into treasury, rather than being cancelled. Whilst the shares are held in treasury, no dividends will be paid on them and they will have no voting rights.

Management and contracts

Investment manager

The Company's investments are managed by CG Asset Management Limited ("CGAM") under an agreement most recently updated on 6 April 2014. Under this agreement, CGAM receives an annual investment management fee of 0.60% (previously 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 39. The agreement is terminable on six months' notice, and in the event of termination otherwise than at the end of a quarter, the Company shall pay to CGAM a due proportion of the fee for the period ended on the termination of the agreement, calculated by reference to the 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 6. 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 21 May 2014, together with the results of a formal evaluation completed by all independent directors. Mr Spiller and Mr Laing, as directors of and, in the case of Mr Spiller, a significant shareholder of, the investment manager, were 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 net asset value in absolute terms;

Directors' Report

Management and contracts continued

- 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 many years, the independent directors concluded on 21 May 2014 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 fees paid by the Company during the year, including those paid to Northern Trust, are recorded in note 4 of the financial statements on page 39.

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 £49,440 for company secretarial services and £33,400 for accounting services exclusive of VAT. Further fees may be payable for additional work undertaken during the year.

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 70 days (2013: 65 days).

Going concern

The Company's investment objectives and business activities, together with the main trends and factors likely to affect its future development and performance, are described in the Board's Strategic Report. The financial position of the Company, including its cash flows and liquidity positions are also described in the Strategic Report and financial statements. Note 19 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to market price, interest rate, foreign currency, credit and liquidity risk. The directors believe that the Company is well placed to manage its business risks successfully in the foreseeable future. The directors consider that the Company has adequate resources, an appropriate financial structure and suitable management 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 the annual report and accounts.

Political and charitable contributions

No contributions were made during the year for political or charitable purposes (2013: nil).

Greenhouse Gas Emissions

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

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.

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 is sought prior to the appointment of any new director or if any new conflicts arise.

Directors

The directors of the Company who held office during the year and at the date of approval of this report are set out on page 13, together with their biographies. Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report on page 27.

Directors' Report

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 Meek 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 Laing, having been appointed as a director since the previous AGM, retires and offers himself for election in accordance with the articles of association.

Mr Spiller will not be seeking re-election at the forthcoming AGM.

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.

Directors' meeting attendance

The number of meetings held during the year from 6 April 2013 to 5 April 2014 and the directors' attendance is detailed below.

	Board (4)	Audit Committee (3)	Management Engagement Committee (2)
Mr T R Pattison	4	3	2
Mr G A Prescott	4	3	2
Mr E G Meek	4	3	2
Mr R P A Spiller	4	N/A	N/A
Mr A L Laing*	2	N/A	N/A

Four subcommittee meetings of the Board were also held during the year to approve the issuance of shares, the interim accounts, share buyback structures, FATCA registration and an amendment to the investment management agreement. All directors attended the 2013 AGM.

*Mr Laing was appointed on 6 November 2013 and has attended all board meetings held since that date.

Substantial shareholders

At 28 May 2014, 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:

Name	Number of Ordinary shares	Issued Share Capital Held
Smith & Williamson	399,360	13.64%
Cazenove Capital Management	200,478	6.85%
Alliance Trust Savings	170,021	5.81%
Pictet	141,580	4.84%
Barclays Personal Investment Management	130,400	4.46%
Investec Wealth & Investment	90,040	3.08%
Integrated Financial Arrangements	85,401	2.92%
Brewin Dolphin Securities	83,786	2.86%
Legal & General Investment Management	80,479	2.75%
Hargreaves Lansdown Asset Management	58,538	2.00%

Since 5 April 2014 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:

- 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 17 and 18.

Other statutory information continued

- There are no agreements:

  (i) to which the Company is a party that might affect its control following a takeover bid; and/or

  (ii) between the Company and its directors concerning compensation for loss of office.

Corporate Governance

Full details are given in the Corporate Governance Statement on pages 19 to 23. The Corporate Governance Statement forms part of this Directors' Report.

Bribery Act 2010

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

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, 11 July 2014 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 48 to 50. Resolutions relating to items of noteworthy and/or special business as detailed below will be proposed at the AGM.

Resolutions 5-7 – 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 and Mr Meek will offer themselves for re-election at this year's annual general meeting ("AGM"). Mr Spiller will retire at the AGM, but will not offer himself for re-election. The Board may appoint directors to the Board but any director so appointed must stand for election by shareholders at the next AGM, in accordance with the Articles. Mr Laing was appointed during the year and he retires in accordance with the Articles at the AGM and, being eligible, offers himself for election. Mr Prescott, having been elected in 2010, will next retire by rotation at the AGM in 2016. The Board has scrutinised the performance of Mr Pattison, Mr Meek and Mr Laing and recommends that they be proposed for re-election or election, as appropriate. 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 Meek

Mr Meek is a former investment banker and stockbroker, with significant experience in senior financial roles, including previous appointments as executive directors for large publicly listed companies. His knowledge and experience are of great value to the Board, particularly his relationship with shareholders and contribution as Senior Independent Director.

Mr Laing (appointed 6 November 2013)

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

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

At the AGM held on 19 July 2013 (the "2013 AGM"), the directors were given the authority until the date of the following AGM to allot up to 973,969 Ordinary shares and to disapply pre-emption rights in respect of up to 10% of these shares. During the financial year, 1,666 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 975,635 Ordinary shares, in aggregate a nominal value of £243,908.75, 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 292,690 Ordinary shares at the date of this report with an aggregate nominal value of £73,172.65), including any shares which have been bought back for holding as treasury shares.

Whilst recognising that institutional investor guidelines recommend non-pre-emptive issue 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.

Directors' Report

Resolution 12 – Authority to make market purchases of the Company's shares
At the 2013 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 2013 AGM). This authority was not exercised during the financial year and so remained in force at 5 April 2014.

At this year's AGM, the directors are seeking authority to buy back up to 438,743 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 2015 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 2013 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.

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 PricewaterhouseCoopers LLP is independent of the Company. A resolution to re-appoint PricewaterhouseCoopers LLP 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 13. Each director in office at the date of this report confirms that:

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

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

By order of the Board

TMF Nominees Limited
Company Secretary
28 May 2014

Governance Report (continued)
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, we report 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 September 2012 edition of the UK Corporate Governance Code applies to reporting periods beginning on or after 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.

The following table demonstrates how the principles of the 2013 AIC Code and relevant provisions of the UK Corporate Governance Code have been applied and explains those recommendations which were not followed during the year.

Principle	Company Compliance
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 29 years. He has no 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 five non-executive directors and, with the exception of Mr Spiller and Mr Laing, 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 Mr Laing, and are 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 be 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.

Governance Report (continued)
Corporate Governance Statement

Principle	Company Compliance
5. There should be full disclosure of information about the Board.	The directors' biographies can be found on page 13; details of their interests in shares and meeting attendance are on pages 28 and 16 respectively. The Directors' Remuneration Report is set out on pages 27 and 28. The Board's policy is to establish committees where appropriate, and has accordingly established an Audit Committee and a Management Engagement Committee. Due to the small size of the Board, the directors do not feel it necessary to establish a separate remuneration or nomination committee at present. The functions of remuneration and nomination and are carried out by the Board as a whole as part of the agenda of regular Board meetings.
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 13 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.
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 Management Engagement Committee. 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 Senior Independent Director 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. Mr Pattison and Mr Meek are offering themselves for re-election at the Company's forthcoming AGM, whilst Mr Laing is offering himself for election, having been appointed by the Board since the 2013 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 pages 27 and 28. 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 Policy and the Remuneration Report on pages 26 to 28.
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 at present. 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.

Governance Report (continued)
Corporate Governance Statement

Principle	Company Compliance
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 16.
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 established a Management Engagement Committee ("MEC"), which comprises the three independent directors and is chaired by Mr Pattison. The performance of and contractual arrangements with the investment manager are to be evaluated annually and discussed by the MEC to ensure the continued suitability of CGAM to manage the Company's portfolio. 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 pages 14 to 15.
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 net asset value 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 net asset value or buying back shares at a discount. During the year, in pursuance of this mechanism, 5,000 Ordinary shares were issued at a premium to net asset value. Further details can be found under the "Share capital and share repurchases" section on page 14.

Corporate Governance Statement

Principle	Company Compliance
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. It is the intention of the Board that the Annual Report 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 51 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 management statements, monthly and quarterly portfolio updates, together with the full portfolio list at each half-year and year end, which are published on the London Stock Exchange and the Company's website. The annual reports and interim reports 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 reports set out the responsibilities reserved for the Board and those delegated to the investment manager, and record the Board's consideration of the performance of the investment manager over the year.

Internal controls and Risk Management

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.

Internal controls and Risk Management continued

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.

Management Engagement Committee

A Management Engagement Committee was established in 2013 comprising all the independent directors of the Company and is chaired by Mr Pattison. The Committee convened twice during 2013 and shall meet at least once a year to consider the remuneration of the Investment Manager and to review the terms of the investment management contract.

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.

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.

By order of the Board

TMF Nominees Limited
Company Secretary
28 May 2014

Audit Committee Report

Dear Shareholder,

This is my first report to you in accordance with the recent changes to corporate governance in the UK and it presents an opportunity to show more clearly the range of work that the Audit Committee has considered and the judgements it has exercised. The Committee, which met three times during the year, has continued to support the Board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the system of internal control and management of risk, the audit process and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.

The responsibilities of a company's audit committee are set out in the UK Corporate Governance Code, Disclosure and Transparency Rule 7.1 and in the Audit Committee's terms of reference, which are available on the corporate website at http://www.capitalgearingtrust.com/the-board. The Audit 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.

The Audit Committee comprises myself as Chairman, Mr Pattison and Mr Meek, all of whom have recent and relevant financial experience from their senior management roles. I am a chartered accountant with substantial experience in senior financial roles in a number of business sectors. My biography and those of the other committee members can be found on page 13.

Significant issues considered regarding the annual report and financial statements

During the year, the Audit Committee considered the significant financial reporting issues and areas of key audit risk in respect of the annual report and financial statements. The Audit Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements.

The table below sets out the key areas of risk identified by the Audit Committee and also explains how these were addressed during the year 2013 – 2014:

Significant issue	How the issue was addressed
The provision of services to the Company, outsourced to third-party providers, and any potential for management override of controls	Control of outsourced risks identified, covering financial, operational, compliance and risk management.
Investment Management Agreement update	Board's establishment of Management Engagement Committee and update to Investment Management Agreement
AIFM Directive – registration under small internally managed AIF regime vs full scope	Training sessions for directors and service-providers, in-depth investigation and consultation with the AIC and advisors.
Going concern	The Directors have considered the Company's investment objective, risk management policies and procedures, the nature of the portfolio and expenditure. As a result, they have determined that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the forseeable future.
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the financial statement on page 37. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 for financial years commencing on or after 6 April 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

2014 – 2015 Action plan

A number of similar matters will be considered again in 2014, particularly those relating to the changing regulatory environment, and the risks and opportunities so presented. Inevitably, the annual report and accounts and the interim statement will occupy much Committee time. Appropriate GAAP and revisions to the investment trust SORP are expected to attract some attention later in the year. We expect to continue to sharpen our focus on relevant risks and the appropriate mitigation of their impact on the Company. We further plan to increase the rigour with which we examine the internal controls reports of our service-providers, in particular our system for verifying their reports and results.

Auditor and audit tenure

The Company's current auditor, PricewaterhouseCoopers LLP ("PwC") has acted in this role for more than ten years. The Audit Committee reviews the performance of the auditor regularly, taking into consideration the services and advice provided to the Company and the fees charged for these services. The audit partner changes at least every five years. On the basis of the auditor's performance, the Audit Committee has recommended their continuing appointment to the Board.

Audit Committee Report

Auditor and audit tenure continued

There is currently no requirement for the contract to be put out to tender; however EU audit reform proposals have recently been approved that will mean in the future we will be required to rotate our auditor every ten years: Based on these proposals, we will be required to rotate our auditor by 2022.

There are no contractual obligations that restrict the Company's choice of auditor. The Audit Committee monitors the level of non-audit work carried out by the auditor and seeks assurances from the auditor that they maintain suitable policies and processes ensuring independence, and monitors compliance with the relevant regulatory requirements on an annual basis. The Company operates on the basis whereby the provision of non-audit services by the auditor is permissible where no conflict of interest arises, where the independence of the auditor is not likely to be impinged by undertaking the work and the quality and objectivity of both the non-audit work and audit work will not be compromised.

The non-audit work carried out during the year related to taxation compliance and advisory and their review of the interim report. Fees paid in respect of these services were £20,000 excluding VAT (2013: £30,000). The fees paid to the external auditor are set out in note 4 of the financial statements on page 39.

Representatives of PwC attend the committee and subcommittee 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 auditor has indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the directors to determine their remuneration for the ensuing year will be proposed at the AGM.

Assessment of the efficiency of the external audit process

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

a) the quality of the audit engagement partner and the audit team;
b) the expertise of the audit firm and the resources available to it;
c) identification of areas of audit risk;
d) planning, scope and execution of the audit;
e) consideration of the appropriateness of the level of audit materiality adopted;
f) role of the Board, the investment manager and third-party service providers in an effective audit process;
g) communications by the auditor with the Audit Committee;
h) how the auditor supports the work of the Audit Committee;
i) how the audit contributes added value;
j) a review of independence and objectivity of the audit firm; and
k) the quality of the formal audit report to shareholders.

Conclusions in respect of the annual report and financial statements

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

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

b) the comprehensive reviews that are undertaken at different levels in the production process of the Annual Report and Financial Statements, by the Investment Manager, the third party service providers responsible for accounting services and the Audit Committee that aim to ensure consistency and overall balance;

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

d) the existence of satisfactory reports on internal controls, including those that have been reviewed and reported on by external auditors, to verify the effectiveness of the internal controls of the Investment Manager and the Company's third party service providers.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 5 April 2014, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Directors' Responsibilities Statement on page 29.

George Prescott
Chairman
Audit Committee
28 May 2014

Governance Report (continued)
Directors' Remuneration Policy

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

The Board has prepared this report in accordance with the requirements of Section 439A of the Companies Act 2006. An ordinary resolution will be put to members at the forthcoming AGM (11 July 2014) for the approval of this policy. Assuming the resolution is passed, the policy provisions below will apply from 11 July 2014 until they are next put to shareholders for approval, which must be at intervals of not more than three years. This policy, together with the directors' letters of appointment, may be inspected at the Company's registered office.

The Board is composed wholly of non-executive directors who together consider and determine all matters relating to the directors' remuneration at the beginning of each financial period. A remuneration committee has not been formed as all the directors are non-executive and considered independent. The Directors are remunerated exclusively by fixed fees in cash. There are no performance related elements to directors fees and the company does not operate any type of incentive, share scheme or pension scheme. Therefore no directors receive bonus payments or pension contributions from the company or hold options to acquire shares in the company.

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

The Board, at its discretion, shall determine directors' remuneration subject to the aggregate annual fees not exceeding £100,000 per annum in accordance with the Company's articles of association. Such remuneration is solely composed of directors' fees and directors are not eligible for any other remuneration. Fees for each financial year are agreed and approved by the Board at each January board meeting.

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

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

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

Review of remuneration policy
The Board has agreed to review the above policy at least annually to ensure that it remains appropriate.

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 pages 30 to 32. An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting ("AGM") and every year thereafter. It is the intention of the Board that the policy on remuneration will take effect from the date of the AGM and will continue to apply for the next three years.

The law requires the Company's auditors to audit certain elements of this report. These elements are described below as 'audited'. The auditors' opinion is included in the Independent Auditors' Report on page 30. No advice from remuneration consultants was received during the year.

The directors who served during the year received remuneration as detailed below and in note 5 to the financial statements on page 39. As a new director from 6 November 2014, Mr Laing's remuneration package was constructed on the same terms as that of Mr Spiller and Mr Meek, who do not chair the Board or committees.

The directors are remunerated exclusively by fixed fees in cash and do not receive bonus payments or pension contributions from the Company, hold options to acquire shares in the Company, or other benefits:

	2014 fees £	Other taxable benefits £	Performance related benefits £	Pension related benefits £
Chairman	25,000	n/a	n/a	n/a
Audit Committee Chairman	20,000	n/a	n/a	n/a
All other directors	18,000	n/a	n/a	n/a

The remuneration of the Chairman over the last five years ending 5 April 2014 is summarised below:

	Fees £	Other taxable benefits £	Performance related benefits £	Pension related benefits £
2014	25,000	n/a	n/a	n/a
2013	25,000	n/a	n/a	n/a
2012	23,100	n/a	n/a	n/a
2011	22,000	n/a	n/a	n/a
2010	20,000	n/a	n/a	n/a

Single total figure of renumeration (audited)

The single total figure of remuneration for the board as a whole for the year ended 5 April 2014 was £88,500 (2013: £81,000). The single total figure table for the total remuneration of each director for the year ended 5 April 2014, together with the prior years comparative is set out in the table below:

	Fees		Total	
	2014 £	2013 £	**2014 £**	2013 £
Mr T R Pattison (Chairman of the Board and Management Engagement Committee)	**25,000**	25,000	**25,000**	25,000
Mr G A Prescott (Chairman of the Audit Committee)	**20,000**	20,000	**20,000**	20,000
Mr R P A Spiller	**18,000**	18,000	**18,000**	18,000
Mr E G Meek	**18,000**	18,000	**18,000**	18,000
Mr A R Laing (appointed 6 November 2013)	**7,500**	–	**7,500**	–
	88,500	81,000	**88,500**	81,000

Directors' Remuneration Report

Directors and their interests (audited)

The directors in the 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:

	Ordinary shares of 25p each	
	5 April 2014	5 April 2013
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	**12,334**	11,834
Mr R P A Spiller Non-executive director and director of the investment manager	**305,671**	305,671
Mr A R Laing Non-executive director and director of the investment manager (appointed 6 November 2013)	**658****	n/a

No changes in these holdings have been notified since 5 April 2014 up to the date of this report. The Company has no share options or any share schemes, and does not operate a pension scheme.

*Mr Pattison holds indirect voting rights over 3,478 shares in the Company which are legally and beneficially owned by a Friends Life retirement annuity scheme. This was announced to the market in March 2002, when the share transfer from Mr Pattison's personal account into the retirement annuity scheme took place.

**Mr Laing holds indirect voting rights over 158 shares in his pension scheme which are legally owned by Brewin Nominees Limited, and which were held by him prior to his appointment as director.

Performance graphs

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 and 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 3.

A table showing actual expenditure by the company on remuneration and distributions to shareholders for the current and prior year is detailed in the table below:

	2014 **£**	2013 £	% change
Remuneration paid to all directors	**88,500**	81,000	9.3%*
Distribution to shareholders by way of dividend	**468,000**	468,000	-0.0%

*Increase in 2014 remuneration paid to all directors attributable to the appointment of Mr Laing as director from 6 November 2013.

Statement of voting at the last Annual General Meeting

At the last AGM held on 19 July 2013, shareholders passed the resolution to approve the Directors' Remuneration Report on a show of hands. Furthermore, of the total 475,484 proxy votes cast, 475,449 were in favour and 35 were against. No votes were withheld.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors' Remuneration Report summarises as appropriate for the year ended 5 April 2014:

a) the major decisions on directors' remuneration;

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

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

By order of the Board

Tony Pattison
Chairman
28 May 2014

Governance Report (continued)

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

The directors are responsible for preparing an 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.

The directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Declaration

Each of the directors, whose names and functions are listed on page 13, confirms 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 Directors' Report, contained in the annual report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Mr T R Pattison
Chairman
28 May 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 5 April 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Capital Gearing Trust Plc, comprise:

- the balance sheet as at 5 April 2014;
- the income statement and statement of total recognised gains and losses for the year then ended;
- the cash flow statement for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £913,000. This represents approximately 1% of Net Assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £46,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Company is a stand-alone investment trust company and employs CG Asset Management Limited (the "Investment Manager") to manage its investment assets, Northern Trust Company (the "Custodian") to provide portfolio custodial services and Northern Trust Global Services Limited (the "Portfolio Administrator") to provide investment portfolio administration services.

The financial statements, which remain the responsibility of the directors, are prepared on their behalf by TMF Management (UK) Limited and TMF Corporate Secretarial Services Limited (the "Accounting and Corporate Secretarial Provider").

In establishing the overall approach to our audit we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Investment Manager, Custodian, Portfolio Administrator and Accounting and Corporate Secretarial Provider, and we assessed the control environment in place at each organisations, to the extent relevant to our audit of the Company.

Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

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

Overview of our audit approach continued

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 24.

Area of focus	How the scope of our audit addressed the area of focus
Valuation and existence of investments We focused on this area because investments represent the principal element of the financial statements.	The investment portfolio comprises equity investments, fixed interest and index linked securities listed on stock exchanges. We tested the valuation of the investment portfolio by agreeing the prices to independent third party sources. We tested the existence of investments held within the investment portfolio to an independent custodian confirmation.
Risk of management override of internal controls ISAs (UK&I) require that we consider this.	We assessed the overall control environment of the Company. We tested journal entries to determine whether adjustments were supported and appropriately authorised. We built an element of "unpredictability" into our detailed testing by testing immaterial expense items.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 15, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration
Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 29 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy. On page 24, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 29, 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 ISAs (UK & 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.

Martin O'Hanlon (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
28 May 2014

Income Statement

for the year ended 5 April 2014

	Note	**Revenue £'000**	**Capital £'000**	**2014 Total £'000**	Revenue £'000	Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	9	**–**	**1,390**	**1,390**	–	7,994	7,994
Exchange (losses)/gains	9	**–**	**(3,059)**	**(3,059)**	–	1,323	1,323
Investment income	2	**999**	**–**	**999**	1,064	–	1,064
Gross return		**999**	**(1,669)**	**(670)**	1,064	9,317	10,381
Investment management fee	3	**(307)**	**(461)**	**(768)**	(302)	(453)	(755)
Transaction costs		**–**	**(55)**	**(55)**	–	(54)	(54)
Other expenses	4	**(374)**	**–**	**(374)**	(367)	–	(367)
Net return on ordinary activities before tax		**318**	**(2,185)**	**(1,867)**	395	8,810	9,205
Tax (charge)/credit on net return on ordinary activities	6	**(3)**	**3**	**–**	67	32	99
Net return attributable to equity shareholders	15	**315**	**(2,182)**	**(1,867)**	462	8,842	9,304
Return per Ordinary Share	8	**10.77p**	**(74.59)p**	**(63.82)p**	15.82p	302.71p	318.53p

The total column of this statement represents the Profit and Loss Account 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 2014

	2014 £'000	2013 £'000
Net return attributable to equity shareholders	**(1,867)**	9,304
Total gains and losses recognised for the year	**(1,867)**	9,304

The notes on pages 37 to 47 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 5 April 2014

	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 2012		730	11,862	16	7,442	62,872	1,715	84,637
Share issues during the year	12	–	68	–	–	–	–	68
Exchange gains 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
Balance at 6 April 2013		730	11,930	16	11,474	67,682	1,637	93,469
Share issues during the year	12	1	177	–	–	–	–	178
Exchange losses on investments	9	–	–	–	(2,509)	(550)	–	(3,059)
Net gains on realisation of investments	9	–	–	–	–	3,442	–	3,442
Net decrease in unrealised appreciation	9	–	–	–	(2,052)	–	–	(2,052)
Transfer on disposal of investments		–	–	–	(2,014)	2,014	–	–
Transaction costs	9	–	–	–	(42)	(13)	–	(55)
Costs charged to capital	3	–	–	–	–	(461)	–	(461)
Tax on costs charged to capital	6	–	–	–	–	3	–	3
Net revenue for the year		–	–	–	–	–	315	315
Total		731	12,107	16	4,857	72,117	1,952	91,780
Dividends paid	7	–	–	–	–	–	(468)	(468)
Balance at 5 April 2014		731	12,107	16	4,857	72,117	1,484	91,312

The notes on pages 37 to 47 form an integral part of these financial statements.

Balance Sheet
at 5 April 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	**82,352**	90,551
Current assets			
Debtors	10	**9,301**	3,225
Cash at bank and in hand		**21**	21
		9,322	3,246
Creditors: amounts falling due within one year	11	**(362)**	(328)
Net current assets		**8,960**	2,918
Total assets less current liabilities		**91,312**	93,469
Capital and reserves			
Called-up share capital	12	**731**	730
Share premium account	13	**12,107**	11,930
Capital redemption reserve	13	**16**	16
Capital reserve arising on investments held	13	**4,857**	11,474
Capital reserve arising on investments sold	13	**72,117**	67,682
Revenue reserve	13	**1,484**	1,637
Total equity shareholders' funds	15	**91,312**	93,469
Net asset value per Ordinary Share	14	**3,119.7p**	3,198.9p

The financial statements on pages 33 to 47 were approved by the Board on 28 May 2014 and signed on its behalf by:

Mr T R Pattison
Chairman

The notes on pages 37 to 47 form an integral part of these financial statements.

Company Number: NI 005574

Cash Flow Statement

for the year ended 5 April 2014

	Note	2014 £'000	2013 £'000
Net cash (outflow)/inflow from operating activities	16	**(102)**	117
Taxation			
Foreign tax (paid)/received on investment income		**(41)**	170
UK tax paid in relation to prior period adjustments		**–**	(113)
		(41)	57
Capital expenditure and financial investment			
Payments to acquire investments		**(24,054)**	(22,728)
Receipts from sale of investments		**30,529**	23,858
		6,475	1,130
Equity dividends paid	7	**(468)**	(540)
Management of liquid resources			
Change in cash held by the custodian awaiting investment		**(6,042)**	(838)
Financing			
Issue of Ordinary share capital	12	**178**	68
Decrease in cash	18	**–**	(6)

The notes on pages 37 to 47 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.

The principal accounting policies have been applied consistently throughout the year.

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 £324,000 (2013: £439,000).

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% (2013: 60%) to capital reserve arising on investments sold and 40% (2013: 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.

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.

1 Accounting policies continued

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 GBP 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

	2014 £'000	2013 £'000
Income from investments:		
Income from UK bonds	**253**	272
Income from UK equity and non-equity investments	**303**	236
Interest from overseas bonds	**443**	555
	999	1,063
Deposit interest	**–**	1
Total income	**999**	1,064

	2014 £'000	2013 £'000
Total income comprises:		
Dividends	**303**	236
Interest	**696**	828
	999	1,064

	2014 £'000	2013 £'000
Income from investments comprises:		
Listed in the UK	**556**	508
Listed overseas	**443**	555
	999	1,063

Notes to the Financial Statements (continued)

3 Investment management fee

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Investment management fee	**307**	**461**	**768**	302	453	755

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 2014 £194,104 (2013: £198,624) 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 37. The terms of the investment manager are detailed on page 14.

4 Other expenses

	2014 £'000	2013 £'000
Administrative expenses:		
Portfolio administration	**55**	51
Fees payable to Company auditor for the audit of Company accounts	**22**	19
Fees payable to Company auditor for other services:		
Services relating to taxation compliance	**12**	14
Services relating to taxation advisory	**4**	12
Other taxation services	**4**	4
Directors' remuneration (note 5)	**89**	81
Company secretarial and accountancy services	**104**	105
General expenses	**84**	81
	374	367

The above expenses include irrecoverable VAT where appropriate.

5 Directors' remuneration

	2014 Total £'000	2013 Total £'000
The fees payable to the directors were as follows:		
Mr T R Pattison	**25**	25
Mr G A Prescott	**20**	20
Mr R P A Spiller	**18**	18
Mr A R Laing (appointed 6 November 2013)	**8**	–
Mr E G Meek	**18**	18
	89	81

Mr R P A Spiller's and Mr A Laing's fees are paid directly to their employer. The Company made no pension contributions (2013: £nil) in respect of directors and no pension benefits are accruing to any director (2013: £nil).

Mr R P A Spiller received remuneration totalling £165,128 (2013: £73,250) from CG Asset Management Limited in respect of its services to the Company. CG Asset Management Limited does not recharge this remuneration to the Company.

Mr A R Laing received remuneration totalling £47,527 (2013: £nil) from CG Asset Management Limited in respect of its services to the Company. CG Asset Management Limited does not recharge this remuneration to the Company.

Details of transactions with CG Asset Management Limited, of which Mr R P A Spiller and Mr A R Laing are directors, 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 (charge)/credit on ordinary activities

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Current tax:						
Corporation tax	**(3)**	**3**	**–**	(32)	32	–
Adjustment in respect of prior year:						
Foreign tax	**–**	**–**	**–**	212	–	212
Double tax relief	**–**	**–**	**–**	(113)	–	(113)
Total current tax	**(3)**	**3**	**–**	67	32	99

The tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 20% (2013: 20%). The differences are explained below:

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Return on ordinary activities before taxation	**318**	**(2,185)**	**(1,867)**	395	8,810	9,205
Return on ordinary activities at the standard rate of UK corporation tax	**64**	**(437)**	**(373)**	79	1,762	1,841
UK franked dividends*	**(61)**	**–**	**(61)**	(47)	–	(47)
Capital returns*	**–**	**345**	**345**	–	(1,852)	(1,852)
Unrelieved loss for the year	**–**	**89**	**89**	–	58	58
Foreign tax	**–**	**–**	**–**	(212)	–	(212)
Double tax relief	**–**	**–**	**–**	113	–	113
Current tax charge/(credit) for the year	**3**	**(3)**	**–**	(67)	(32)	(99)

*The Company is an Investment Trust Company as defined by section 833 of the Companies Act 2006 and 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 £152,000 at 5 April 2014 (£63,000 at 5 April 2013) have not been recognised as the prospect for their recovery against future taxation liabilities is uncertain.

During the year withholding tax refunds of £nil (2013: £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 totaling £nil (2013: £113,000) have been repaid to HMRC during the year. These repayments have been charged to the income statement.

7 Dividends paid

	2014 £'000	2013 £'000
Ordinary Shares		
2013 dividend paid 25 July 2013 (16.0p per share)	**468**	–
2012 dividend paid 19 July 2012 (18.5p per share)	**–**	540

The directors have recommended to shareholders a final dividend of 16.0p per share for the year ended 5 April 2014. If approved, this dividend will be paid to shareholders on 25 July 2014. 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.

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividend for the year	**315**	462
Proposed final dividend of 16.0p for the year ended 5 April 2014	**(468)**	(468)
Undistributed revenue for purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010*	**(153)**	(6)

* Undistributed revenue comprises approximately 0.0% (2013: 0.0%) of income from investments of £999,000 (2013: £1,064,000).

At the Annual General Meeting on 19 July 2013, the Company passed a resolution amending its articles of association to allow it to pay dividends out of its capital profits.

Notes to the Financial Statements (continued)

8 Return per Ordinary share

The return per Ordinary share of (63.82)p (2013: 318.53p) is based on the total net return after taxation for the financial year of £(1,867,000) (2013: £9,304,000) and on 2,925,331 (2013: 2,920,958) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Revenue return per Ordinary share of 10.77p (2013: 15.82p) is based on the net revenue return on ordinary activities after taxation of £315,000 (2013: £462,000) and on 2,925,331 (2013: 2,920,958) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Capital return per Ordinary share of (74.59)p (2013: 302.71p) is based on the net capital return for the financial year of £(2,182,000) (2013: £8,842,000) and on 2,925,331 (2013: 2,920,958) 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 Investments held at fair value through profit or loss

	2014 £'000	2013 £'000
Investments comprise –		
Listed investment companies:		
Incorporated in the United Kingdom	**31,472**	23,352
Incorporated overseas	**5,366**	7,030
Listed United Kingdom government bonds	**10,992**	8,862
Listed United Kingdom non-government bonds	**3,959**	4,549
Listed overseas government bonds	**23,661**	37,022
Miscellaneous international equities	**6,902**	9,736
	82,352	90,551
Cost of investments held at 6 April	**79,077**	74,976
Unrealised appreciation at 6 April	**11,474**	7,442
Fair value of investments held at 6 April	**90,551**	82,418
Additions at cost	**24,054**	22,728
Disposals proceeds	**(30,529)**	(23,858)
Transaction costs	**(55)**	(54)
Exchange (losses)/gains	**(3,059)**	1,323
Disposals – realised gains	**3,442**	7,589
(Decrease)/increase in unrealised appreciation	**(2,052)**	405
Fair value of investments held at 5 April	**82,352**	90,551
Book cost at 5 April	**77,495**	79,077
Unrealised appreciation at 5 April	**4,857**	11,474
	82,352	90,551
Exchange (losses)/gains	**(3,059)**	1,323
Disposals – realised gains	**3,442**	7,589
(Decrease)/increase in unrealised appreciation	**(2,052)**	405
Gains on investments	**1,390**	7,994

The geographical spread of investments is shown on page 10.

The Company's investment policy is detailed on page 6.

10 Debtors

	2014 £'000	2013 £'000
Cash held by the custodian awaiting investment	**8,972**	2,930
Other debtors	**–**	8
Prepayments and accrued income	**246**	245
Corporation tax	**83**	42
	9,301	3,225

11 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Accruals and deferred income	**362**	328

12 Called-up share capital

	2014 £'000	2013 £'000
Allotted and fully paid		
At the beginning of the year: 2,921,906 Ordinary shares (2013: 2,919,906)	**730**	730
Allotted during the year: 5,000 Ordinary shares (2013: 2,000)	**1**	–
At the end of the year: 2,926,906 Ordinary shares (2013: 2,921,906)	**731**	730

The Company allotted 5,000 Ordinary shares of 25p each in the period (2013: 2,000) for a consideration of £178,000 (2013: £68,000).

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 2013	11,930	16	11,474	67,682	1,637
Share issues during the year	177	–	–	–	–
Exchange losses on investments	–	–	(2,509)	(550)	–
Net gains on realisation of investments	–	–	–	3,442	–
Net decrease in unrealised appreciation	–	–	(2,052)	–	–
Transfer on disposal of investments	–	–	(2,014)	2,014	–
Transaction costs	–	–	(42)	(13)	–
Costs charged to capital	–	–	–	(461)	–
Tax on costs charged to capital	–	–	–	3	–
Net revenue for the year	–	–	–	–	315
Dividends paid (note 7)	–	–	–	–	(468)
Balance at 5 April 2014	12,107	16	4,857	72,117	1,484

At the Annual General Meeting on 19 July 2013, the Company passed a resolution amending its articles of association to allow it to pay dividends out of its capital profits.

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

	2014	2013
Ordinary shares (basic)	**3,119.7p**	3,198.9p

Net asset value attributable to

	2014 £'000	2013 £'000
Ordinary Shares (basic)	**91,312**	93,469

The movements during the year in the assets attributable to the Ordinary shares are detailed in note 15 on page 43.

Net asset value per Ordinary share is based on the net assets, as shown above, and on 2,926,906 (2013: 2,921,906) 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

	2014 £'000	2013 £'000
Opening equity shareholders' funds	**93,469**	84,637
Ordinary shares issued during the year	**178**	68
Net return for the financial year	**(1,867)**	9,304
Dividends paid (note 7)	**(468)**	(540)
Closing equity shareholders' funds	**91,312**	93,469

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

	2014 £'000	2013 £'000
Net return before finance costs and taxation	**318**	395
Investment management fee charged to capital	**(461)**	(453)
Increase in creditors	**34**	94
Decrease in other debtors, prepayments and accrued income	**7**	81
Net cash (outflow)/inflow from operating activities	**(102)**	117

17 Analysis of net funds

	2014 £'000	2013 £'000
Cash at bank and in hand	**21**	21

18 Reconciliation of net cash flow to movement in net funds

	2014 £'000	2013 £'000
Net funds at the beginning of the year	**21**	27
Decrease in cash for the year	**–**	(6)
Net funds at the end of the year	**21**	21

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 10-12. 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.

	2014 5% increase in market prices £'000	2014 5% decrease in market prices £'000	2013 5% increase in market prices £'000	2013 5% decrease in market prices £'000
Income statement – net return after taxation				
Revenue return	(14)	14	(14)	14
Capital return	4,100	(4,100)	4,510	(4,510)
Total return after taxation	4,086	(4,086)	4,496	(4,496)
Net assets	4,086	(4,086)	4,496	(4,496)
Net asset value per share	139.60p	(139.60)p	153.87p	(153.87)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.

	2014 1% increase in market rates £'000	2014 1% decrease in market rates £'000	2013 1% increase in market rates £'000	2013 1% decrease in market rates £'000
Income statement – net return after taxation				
Revenue return	72	(72)	23	(23)
Capital return	–	–	–	–
Total return after taxation	72	(72)	23	(23)
Net assets	72	(72)	23	(23)
Net asset value per share	2.46p	(2.46)p	0.79p	(0.79)p

Notes to the Financial Statements (continued)

19 Financial instruments continued

The interest rate profile of the Company's assets at 5 April 2014 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	36,838	–	–	–	36,838	–	–
UK index-linked government bonds	10,992	–	10,992	–	–	0.5	5.6
UK non-government bonds	3,959	–	–	3,959	–	4.6	4.0
Overseas index-linked government bonds	19,169	–	19,169	–	–	1.4	8.0
Overseas government bonds	4,492	–	–	4,492	–	1.6	5.1
Other equities	6,902	–	–	–	6,902	–	–
Deposits	8,972	8,972	–	–	–	–	–
Invested Funds	91,324	8,972	30,161	8,451	43,740	–	–
Cash at bank	21	–	–	–	21	–	–
Other debtors	329	–	–	–	329	–	–
Liabilities							
Creditors	(362)	–	–	–	(362)	–	–
Total net assets	91,312	8,972	30,161	8,451	43,728		

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	–	–

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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 of the fair value measurement hierarchy.

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:

	2014 Investments £'000	**2014 Accrued interest £'000**	2013 Investments £'000	2013 Accrued interest £'000
Canadian Dollar	**568**	**5**	1,171	9
Euro	**611**	**–**	1,851	2
US Dollar	**15,962**	**29**	24,933	50
Swedish Krona	**5,456**	**37**	6,301	39
Swiss Franc	**4,927**	**28**	5,011	29
Australian Dollar	**76**	**–**	165	–
Japanese Yen	**913**	**3**	1,532	6
	28,513	**102**	40,964	135

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.

	2014 5% appreciation of Sterling £'000	**2014 5% depreciation of Sterling £'000**	2013 5% appreciation of Sterling £'000	2013 5% depreciation of Sterling £'000
Income statement – net return after taxation				
Revenue return	**(18)**	**18**	(22)	22
Capital return	**(1,426)**	**1,426**	(2,048)	2,048
Total return after taxation	**(1,444)**	**1,444**	(2,070)	2,070
Net assets	**(1,444)**	**1,444**	(2,070)	2,070
Net asset value per share	**(49.34)p**	**49.34p**	(70.84)p	70.84p

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.

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:

	2014 Balance sheet £'000	**2014 Maximum exposure £'000**	2013 Balance sheet £'000	2013 Maximum exposure £'000
Fixed assets – listed investments at fair value through profit and loss	**82,352**	**38,611**	90,551	50,433
Debtors – amounts due from the custodian, dividends and interest receivable	**9,207**	**9,207**	3,165	3,165
Cash at bank	**21**	**21**	21	21
	91,580	**47,839**	93,737	53,619

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 2014 of £91,312,000 (2013: £93,469,000) 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 and Mr A R Laing, directors 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 fifty first 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, 11 July 2014 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive the Directors' Report and the audited accounts for the year ended 5 April 2014.
2. To approve the Directors' Remuneration Report for the year ended 5 April 2014, together with the report of the auditor thereon.
3. To approve the remuneration policy of the Company.
4. To declare a final dividend of 16 pence per ordinary share.
5. To re-elect Tony Pattison as a director.
6. To re-elect Graham Meek as a director.
7. To elect Alastair Laing 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 13 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 £243,908.75 (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 975,635 Ordinary shares of 25p each), provided that such authority shall expire at the conclusion of the AGM of the Company to be held in 2015, 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 £73,172.65 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 2015, unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

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

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 438,743 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 2015 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.

By order of the Board

TMF Nominees Limited
Company Secretary

Registered Office:
Waterfront Plaza
8 Laganbank Road
Belfast BT1 3LR
28 May 2014

Location of Annual General Meeting

Smith & Williamson Investment Management Limited
25 Moorgate
London
EC2R 6AY

at 11.00 a.m. on Friday, 11 July 2014

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 9 July 2014 (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 13 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 2014 (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 2,926,906.
12. Biographical details of the directors seeking re-election can be found at page 13 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 10.45 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: TMF Nominees Limited 5th Floor 6 St. Andrew Street London EC4A 3AE Telephone: 0207 832 8922 Email: company.secretary@capitalgearingtrust.com
Registered Office	Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR
Registered Number	NI005574
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.

Shareholder Analysis

As at 5 April:	**2014 Number of shares**	**2014 % of Issued capital**	2013 Number of shares	2013 % of Issued capital
Nominee companies	**2,162,502**	**73.9**	2,201,512	75.3
Private shareholders	**720,599**	**24.6**	691,010	23.7
Banks and other companies	**43,805**	**1.5**	29,384	1.0
	2,926,906	**100**	2,921,906	100

Notes

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Capital Gearing Trust P.l.c.
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www.capitalgearingtrust.com