CAPITAL GEARING TRUST P.L.C.

Annual Report and Accounts

For the year ended 5 April 2015

Company Summary

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

- **Continuation of the Company**
  In previous reports, the Board has confirmed its 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, at periodic intervals. This year, the Board is proposing to offer this opportunity through the implementation of a zero discount/premium management policy. The proposed changes are outlined in more detail in the Chairman's Statement on p4 and the Notice of AGM on p49.

- **Capital structure and voting rights**
  The share capital comprises Ordinary shares of 25 pence each. As at 5 April 2015, 2,926,906 shares were in issue (5 April 2014: 2,926,906). Each Ordinary share has one vote.

- **Investment management, custodian and portfolio administration**
  Investment management is carried out by CG Asset Management Limited under an agreement dated 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 PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH at 11.00 a.m. on Wednesday, 8 July 2015.

- **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 2015	5 April 2014	% Change
Share price	3,316.5p	3,339.5p	-0.7
Net asset value per share	3,297.6p	3,119.7p	5.7
Premium	0.6%	7.0%	–
Shareholders' funds	£96.5m	£91.3m	5.7
Market capitalisation	£97.1m	£97.7m	-0.6
Ongoing charges percentage*	0.96%	1.24%	–
Dividend per Ordinary share:			
Ordinary	20.00p	16.00p	25.0

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

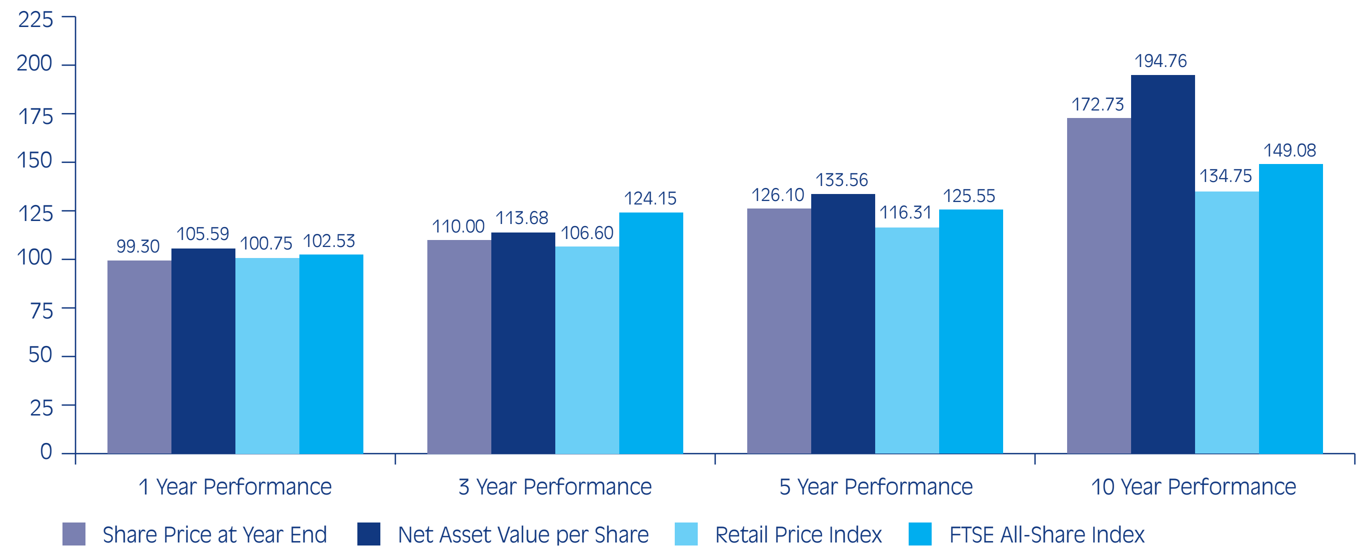
Performance

Performance in the 10 years to 2015

					FTSE All-Share Index*		
5 April	Net assets £'000	NAV per 25p share p	Appreciation on previous year %	Cumulative appreciation from 5 April 2005 %	Index	Appreciation on previous year %	Cumulative appreciation from 5 April 2005 %
2006	54,136	1,937.0	14	14	3,085.9	24	24
2007	56,576	2,024.2	5	20	3,331.8	8	34
2008	59,432	2,126.4	5	26	3,039.6	(9)	23
2009	59,404	2,125.4	–	26	2,051.0	(33)	(17)
2010	68,962	2,467.4	16	46	2,943.9	44	19
2011	75,550	2,652.8	8	57	3,116.6	6	26
2012	84,637	2,898.6	9	71	2,977.0	(4)	20
2013	93,469	3,198.9	10	89	3,292.7	11	33
2014	91,312	3,119.7	(2)	84	3,604.9	9	45
2015	96,519	3,297.6	6	95	3,696.0	3	49

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 All-Share Index* and the Retail Price Index over 1, 3, 5 and 10 years to 5 April 2015. All figures are rebased to 100 at the start of the measurement period.

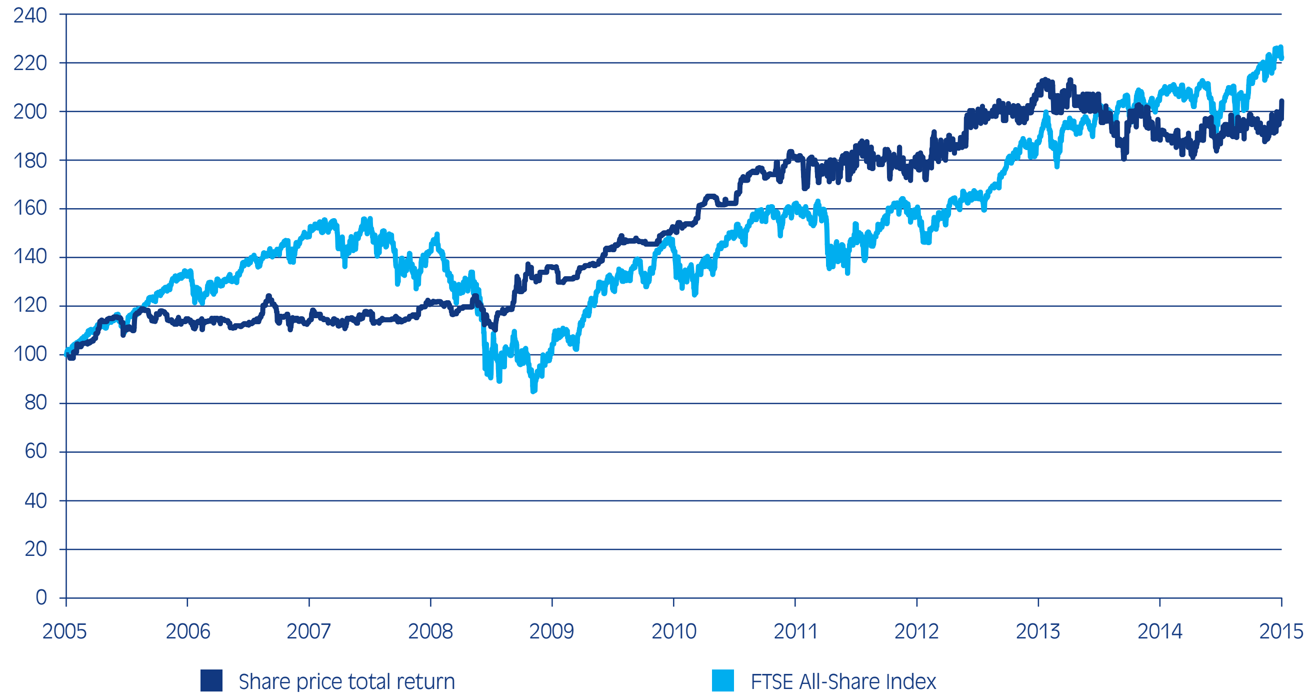


*Source: CG Asset Management Ltd

Performance (continued)

Share price total return performance 2005 to 2015

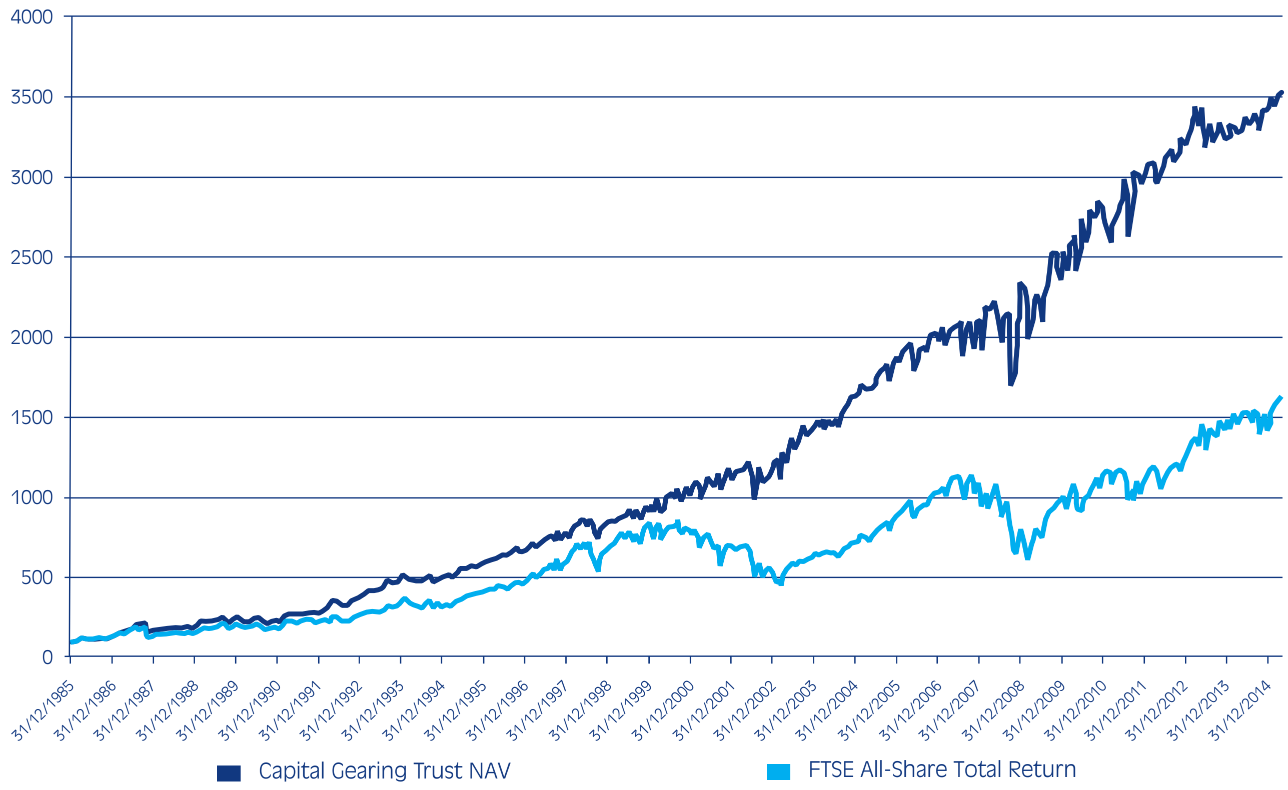
Based on mid-market prices, the graph below illustrates the total return to investors over the past 10 years, compared with the total return on the FTSE All-Share Index*. Each measure is rebased to 100 in 2005.



*Source: CG Asset Management Ltd

Net asset value performance 1985 to 2015

Based on the Company's NAV per share, the graph below illustrates the total return to investors over the past 30 years, compared with the total return on the FTSE All-Share Index*. Each measure is rebased to 100 in 1985.



*Source: CG Asset Management Ltd

The Board's Strategic Report
Chairman's Statement

Overview
As at 5 April 2015, the net asset value (NAV) per share was 3,297p compared to 3,119p, on 5 April 2014. As it is the Company's stated policy to achieve growth in absolute terms, it is pleasing to be able to report that the NAV stood at an all-time high at the financial year-end. In a period when most asset classes produced both actual and real positive returns this might have been expected but as ever, a conscious effort to protect capital values is also a feature of the Company's investment objective. As a result, during periods of market exuberance this often means sacrificing potential short term returns for the sake of protecting current values. Over the longer term, the cumulative effect of positive compound returns leads to outperformance as demonstrated in the Company's performance record.

Dividend
Last year, a total distribution of 16p per Ordinary share was made. At this year's annual general meeting (the "AGM"), the Board will be recommending a distribution of 20p per Ordinary share.

Annual general meeting
This year, the AGM will be held in London at the Embankment Place offices of PricewaterhouseCoopers LLP on Wednesday 8 July 2015 at 11.00 a.m. The notice convening the fifty-second 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.

Proposed zero discount/premium management policy
The Board is committed to offering shareholders the periodic opportunity to realise their investment in the Company. Historically this has been honoured by a sale and purchase facility that operated every seven years. The Company has also been committed to buying back its shares if a material discount ever emerged and issuing new shares if the share price reached a 15% premium to NAV per share.

The Board is proposing an evolution of its existing policies by adopting a new zero discount/premium management policy. Under this new policy the Company will purchase or issue shares to ensure, in normal market conditions, that the shares trade as close as possible to their underlying NAV per share. If approved by shareholders, the zero discount/premium policy would replace the existing offer of a periodic opportunity for shareholders to realise their investment in the Company with immediate effect. The resolution to approve the adoption of the new policy is set out as Resolution 9 in the notice of the AGM and will be proposed as an ordinary resolution.

The Board believes the adoption of the proposed new zero discount/premium management policy will have the following benefits and impacts:

Improved liquidity in the Company's shares
Secondary market trading in the Company's shares is limited, resulting in wide bid offer spreads and high transaction costs for shareholders. By making the liquidity of the Company's portfolio available symmetrically around NAV per share it is anticipated market makers will be prepared to transact larger orders with tighter spreads.

Potential reduction of ongoing costs
If the proposed new policy is approved by shareholders the Company could meet excess demand for shares by issuing at a small premium. This would have the impact of spreading the fixed costs of the Company over a broader shareholder base, reducing ongoing costs of ownership per share. In addition, if the Company's NAV increases the manager proposes a lower fee on incremental assets managed above certain bands. The current investment management fee of 0.6% would reduce to 0.45% on incremental NAV above £120m and below £500m. The fee level would further reduce to 0.3% on any incremental net asset value above £500m. The Board does not anticipate material issuance of shares in the short term, however even modest share issuance would ameliorate the ever growing costs associated with the regulatory compliance of the Company.

Reduced premium volatility
The Company has achieved low volatility NAV accretion over a long period of time, however due to the changes of the premium at which shares trade relative to underlying NAV per share, the Company's share price has been more volatile than the underlying portfolio. The proposal would materially reduce the volatility associated with the variation in the level of the premium.

Portfolio liquidity requirements
The proposed adoption of the new policy will require a sufficient proportion of liquid securities within the Company's portfolio to fund share repurchases. In practice this liquidity requirement already exists as the Board has committed to buy shares to manage any discount, so there are no short term implications for investment management. However, if the manager was to adopt a greater equity weighting it is likely that a portion of the holdings would need to be held in liquid securities including ETFs and open-ended funds.

The zero discount/premium policy can be expected to operate in normal market conditions. However, the operation of the policy is dependent on the directors having requisite shareholder authority to buy-back and issue new shares and being satisfied that any offer or purchase of shares is in the best interest of shareholders of the Company as a whole. If market discontinuity made it difficult to ascertain the true NAV the mechanism would cease to operate for such time that a true NAV could be identified.

If passed at the AGM, Resolutions 11 and 12 will authorise the directors to issue new shares on a non pre-emptive basis representing up to 10% of the Company's issued share capital as at the date of the AGM and Resolution 13 will authorise the directors to buy-back shares representing up to 14.99% of the Company's issued share capital as at the same date. These authorities will be used to implement the new policy and the Board intends to seek renewal of these authorities from shareholders at each subsequent annual general meeting. In the event that the directors exhaust any of the authorities required to implement the new zero discount/premium management policy before the next AGM, the Board will consider seeking shareholder approval to renew the relevant authorities at an earlier general meeting.

The Board's Strategic Report (continued)
Chairman's Statement

Nothing in the proposed new policy would require the directors to pursue actions that would cause the Company to contravene any applicable law or rule or regulation of any government, regulatory body or stock market authority nor require it to publish a prospectus in connection with any share issuance pursuant to the new policy.

In the event that Resolution 9 to approve the new policy is not approved by shareholders, the Board intends 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, in September 2015, in accordance with the Board's previous public statements.

The Board

As mentioned in last year's report, 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. To this end and as announced previously, I am delighted to report that Jean Matterson and Robin Archibald have joined the Board of the Company since the year end. Miss Matterson and Mr Archibald's biographies are set out on page 12 and, in accordance with the Company's articles of association, they will offer themselves for election at the AGM in July.

Having been a serving director since 1985, and Chairman since 2005, I have decided not to stand for re-election at the AGM. Mr Meek has agreed to take over the Chairmanship. I would like to take this opportunity to pay tribute to my fellow directors, both past and present for their support and assistance over the years. I would also like to thank our service providers and the directors and staff at the Association of Investment Companies for their invaluable input and advice.

Meanwhile, Mr Meek will retire at the AGM and offer himself for re-election. Further details in respect of each director's retirement, evaluation and re-election can be found on page 15.

Alternative Investment Fund Managers Directive

As highlighted previously, the Company is an 'Alternative Investment Fund' ("AIF"), as defined by the Alternative Investment Fund Managers Directive ("AIFMD"). The Company is registered under the AIFMD as a 'small internally managed AIF'. The Company's position in relation to the AIFMD is being continually monitored. The Board is in the process of undertaking a wider due diligence process in respect of its third party suppliers, including investigating the possibility of applying for full scope authorisation.

Outlook

For the reasons alluded to in the investment manager's report, most asset classes look overvalued at present and after a period of pronounced strength, a global market correction appears to be overdue. In what is my final report to shareholders I am however pleased to report that the Company is in a very strong position to take advantage of any pronounced weakness in markets that may occur and in the meanwhile will endeavour to enhance and preserve shareholder value.

Mr T R Pattison
Chairman
28 May 2015

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 Retail Price Index ("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.

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 with a willingness to hold cash, bonds, index-linked securities and commodities when appropriate.

Recognising the diverse attributes of most closed-ended investment companies and collective investment 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 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 asset classes based on an assessment of capital markets and macro-economic risks, with the aim of avoiding capital loss. In addition a portion of the portfolio is invested into 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. The Board monitors the performance of the investment manager against RPI over the short term (3 years) and the FTSE All Share over the longer term (10 years).

Graphs showing the performance of the Company's NAV per share compared with the RPI and the FTSE All Share Index over 1, 3, 5 and 10 years and over the period from 1985 are shown on pages 2 and 3.

In addition, the Board monitors the following KPIs:

- Share price premium/discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back or issued. At the start of the year under review the premium to NAV was 7.0% compared with 0.6% 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 0.96% for the year to 5 April 2015 (2014: 1.24%).
- Peer group comparison, using a selected group of investment trusts of similar size and strategy.

Principal risks and uncertainties

The directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Premium/Discount level

The Board operates a discount control mechanism and will buy in shares as and when necessary to manage the discount at an appropriate level close to NAV. Currently the Company issues new shares at a 15% premium to NAV. One of the special business resolutions being put to shareholders at this year's AGM would mean that shares would be issued at a smaller premium to NAV, reducing premium volatility.

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 44. Other risks are identified and managed by the Company's internal control and risk management system, which is summarised on page 22.

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 functions 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 or government bonds. 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 four 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.

The Board's Strategic Report (continued)

Investment Manager's Report

Review

Over the last year we have looked on with concern as every asset class held in the fund increased in value, at the same time. In a portfolio carefully designed to contain negatively correlated assets this universal progress is the result of successive waves of liquidity driving asset prices further away from their fundamental anchors. The most distinctive feature of the current portfolio is the 45% allocation to a combination of cash and short duration assets. These defensive assets include cash (9% of portfolio), nominal bonds holdings (11% of portfolio), zero dividend preference shares (20% of portfolio) and convertible debt securities (6% of portfolio). Collectively these assets can be considered a store of dry powder waiting to be deployed into riskier assets when value and fundamentals are more closely aligned. As waves of quantitative easing have pushed investors into risky assets, the Company has been consciously moving in the opposite direction; increasing its holding in low yielding but low risk assets.

To state the obvious there is significant opportunity cost associated with such an elevated holding of low yielding assets. Fortunately where the Company was exposed to risk assets they performed well in the period. The investment trust ordinary share holdings (28% of the portfolio) performed ahead of broader indices e.g the FTSE All-Share. Notwithstanding the strong performance the allocation remains limited as investment trust discounts are unusually narrow and liquidity is exceptionally poor. All investors in this market should have a very firm eye on the significant risk of discount widening should the stock market suffer a setback. With this in mind the fund fully exited its holding in Strategic Equity Capital plc after an exceptionally strong run. Having established a position shortly after the financial crisis when discounts were c.25%, the position has been amongst the most profitable in the portfolio with very strong underlying asset value progression and a complete elimination of the discount. The proceeds from large maturing positions like these have been reinvested into a range of smaller positions with structural protection against discount risk and/or defined liquidity events.

As always, not all our positions were helpful. A large holding in Renewable Energy Generation plc ("REG") which operates and develops renewable energy projects had a very poor year, falling 20%. REG's net asset value is underpinned by significant holdings of highly cash generative and realisable assets, an obvious attraction for a value hunter. However, as a good example of the liquidity risks lurking in these markets, one large shareholder exiting was sufficient to cause a torrid year in share price terms.

The star performer in the year was last year's Achilles' heel, the US index linked bond position (15% of the portfolio). The twin benefits of Dollar appreciation relative to Sterling and a reduction in real interest rates delivered double digit returns in Sterling terms. The duration of the index linked portfolio continues to fall and is now less than 6 years, the shortest in the Company's history. This reduction in duration is consistent with an overall trend of de-risking across the portfolio.

Outlook

The phrase 'new normal' is bandied around to describe a world where growth is subdued for a prolonged period, interest rates will stay low and inflation is modest or absent. There is, however, nothing remotely normal about current asset prices that have arisen from the distortions caused by QE. At the time of writing, about $2.5 trillion worth of bonds carry a negative nominal yield; that is not optimism, it is a sign of distress. Furthermore, these low rates are priced to continue, the one year real rate of interest in the US in four years' time is expected by the market to be less than 0.4%. This is around a quarter of the rate that would be expected in a normalised economy.

In fact, this implicit forecast may prove to be correct, at least directionally. The consensus among economic policy makers is very doveish. A long shadow has been cast from 1937, when policy is believed to have been tightened too soon, plunging the US economy back into depression. As a result, short interest rates, which on any historical criteria should already be higher in both the US and the UK look set to remain accommodative until very late in the cycle. Early signs of inflation or wage pressure will be tolerated.

Against this background of distorted short and long term interest rates, equities have been able to grind higher. In fact, the connection has been quite direct as companies borrow to buy in their own stock – by far the largest source of demand for equities in the US. That points to the likely catalyst to correct the elevated levels of equities. Either disappointing earnings, reducing the earnings yield, or increasing yields on debt would put pressure on the validity of the exercise. Certainly, any 'normal' level of interest rates would wholly undermine it. In the meantime, companies are distributing through dividends and buybacks all the returns that they make; an unprecedented situation that is not sustainable over time, though clearly can continue in the short term. Importantly, the maintenance of record profit margins in the US seems inconsistent with the economic growth rates implied by current bond rates; the same general comment is true of the UK and Europe, though in the latter case it is more a matter of the recovery in profits discounted in current prices.

Valuations of all financial assets, equities as well as bonds, would require discount rates of zero percent in real terms to justify current levels. In such circumstances, the key driver of asset allocation is to ensure that such an appalling return is not locked in for a long time. In other words, duration needs to be short. Equities, particularly growth equities, have long duration. The portfolio weighting to equities is therefore low. Bonds, both conventional and index-linked, are as short in duration as they have ever been. The stance of the portfolio is defensive with the emphasis on the preservation of the real value of capital.

In the UK, a Conservative election victory may yield better growth in the short term as confidence is boosted. Indeed, domestic demand is growing strongly, but the weakness of our neighbours and the strength of Sterling are holding back exports and industrial production. With more austerity to come in 2016, the economy may moderate and that combined with fears of an EU referendum, and an alarming current account deficit, may put pressure on the pound.

The reason the portfolio contains such high levels of cash and short duration assets is to ensure dry powder for deployment when values are better. That opportunity may not be far away.

Mr A R Laing
28 May 2015

Mr R P A Spiller
28 May 2015

The Board's Strategic Report (continued)
Portfolio Analysis

Distribution of investment funds of £96,465,000 (2014: £91,324,000)

	UK %	North America %	Europe %	Elsewhere %	**2015 Total %**	2014 Total %
Investment Trust Assets:						
Ordinary shares	15.7	3.6	1.4	7.2	**27.9**	28.9
Zero dividend preference shares	19.9	–	–	–	**19.9**	19.0
Other Assets:						
Index-linked	8.0	15.8	3.0	–	**26.8**	29.8
Fixed interest	10.5	3.4	2.4	–	**16.3**	12.5
Cash	5.0	2.7	1.4	–	**9.1**	9.8
	59.1	25.5	8.2	7.2	**100**	100

Investments of the Company

	2015 £'000	2014 £'000
Investment Trust Ordinary Shares:		
North Atlantic Smaller Companies	**4,111**	3,634
Prospect Japan Fund	**1,510**	1,435
Invesco Perpetual UK Smaller Companies Investment Trust	**1,372**	1,167
Renewable Energy Generation	**1,199**	1,486
ETFS Metal Securities (physical gold)	**1,190**	1,309
Mithras Investment Trust	**962**	1,145
Rights & Issues	**952**	254
Bluefield Solar	**893**	609
Foresight Solar Fund	**865**	880
Oryx International Growth Fund	**838**	756
Henderson Global Trust	**724**	695
JP Morgan Private Equity USD	**715**	461
Private Equity Investor	**684**	820
North American Income Trust	**616**	–
JP Morgan Overseas Investment Trust	**548**	–
Greencoat UK Wind	**546**	399
Aurora Investment Trust	**522**	572
Better Capital PCC	**519**	–
Japan Residential Investment Company	**503**	516
Castle Private Equity	**480**	428
Witan Pacific Investment Trust	**473**	108
Miton Worldwide Growth Investment Trust	**449**	414
Renewable Energy Infrastructure	**445**	529
BlackRock Income Strategies Trust	**418**	–
VPC Speciality Lending Investments	**412**	–
BlackRock Absolute Return Strategies	**411**	411
LMS Capital	**389**	–
Rights & Issues Investment Trust	**362**	448
Candover Investments	**328**	268
NextEnergy Solar Fund	**278**	–
Ground Rents Income Fund Ordinary	**256**	134
Shape Capital	**252**	435
Schroder Global Real Estate Securities	**234**	–
Atlantis Japan Growth Fund	**219**	214
Schroder UK Growth Fund	**204**	–
Marwyn Value Investors	**191**	258
Aberdeen Latin American Income	**183**	225
Dexion Absolute EUR	**174**	–
JP Morgan Income & Growth	**161**	110
EPE Special Opportunities	**159**	151
Dexion Absolute USD	**148**	51
Polar Capital Global Healthcare Growth & Income	**143**	–
JP Morgan Income & Growth Income	**130**	65
Hansa Trust 'A' Shares	**112**	165
BlueCrest BlueTrend	**93**	317
GCP Infrastructure Investments	**90**	130
Signet Global Fixed Income Strategies	**67**	164
BACIT	**66**	66

The Board's Strategic Report (continued)

Portfolio Analysis

Investments of the Company continued

	2015 £'000	2014 £'000
Investment Trust Ordinary Shares continued:		
Alternative Liquidity Solutions	**62**	99
Sequoia Economic Infrastructure Income	**53**	–
Thames River Multi Hedge	**50**	50
Alternative Investment Trust	**47**	76
Foreign & Colonial Investment Trust	**42**	682
Cambium Global Timberland	**19**	34
North American Banks Fund	**18**	37
RENN Universal Growth Investment Trust	**16**	20
Close European Accelerated Fund	**16**	16
Active Capital Trust	**8**	82
Thompson Clive Investments	**3**	3
Prospect Epicure J-REIT Value Fund	**2**	2
Strategic Equity Capital	**–**	1,010
Jupiter Green Investment Trust	**–**	782
BH Global	**–**	611
Acencia Debt Strategies	**–**	385
John Laing Environmental Assets Group	**–**	319
Ground Rents Income Fund Preference	**–**	126
Jupiter Primadona Growth Trust	**–**	121
SVM Global Fund	**–**	121
Value & Income Trust	**–**	107
International Biotechnology Trust	**–**	99
Dexion Absolute GBP Redemption	**–**	97
Goldman Sachs Dynamic Opportunities	**–**	90
Dexion Trading	**–**	87
Dexion Absolute USD Redemption	**–**	46
Dexion Absolute GBP	**–**	33
Absolute Return Trust	**–**	31
Equity Partnership	**–**	9
Henderson Global Property	**–**	8
Henderson Private Equity Investment Trust	**–**	6
	26,932	26,418

	2015 £'000	2014 £'000
Investment Trust Zero Dividend Preference Shares:		
M&G High Income Investment Trust	**2,874**	2,781
Ecofin Water & Power Opportunities Finance	**2,624**	2,241
Aberforth Geared Income Trust	**2,048**	1,960
Electra Private Equity	**1,574**	1,184
JZ Capital Partners 2016	**1,571**	538
JP Morgan Income & Capital Trust	**1,533**	1,456
JP Morgan Private Equity 2015	**1,140**	161
Premier Energy & Water Trust	**1,108**	1,058
Utilico Investments 2018	**1,073**	1,180
NB Private Equity Partners	**956**	752
Utilico Finance 2016	**894**	843
Acorn Income Fund 2017	**741**	690
Jupiter Dividend & Growth Trust	**638**	431
JP Morgan Private Equity 2017	**235**	221
Utilico Investments 2020	**227**	–
F&C Private Equity	**–**	977
Jupiter Second Split Trust	**–**	849
	19,236	17,322

The Board's Strategic Report (continued)
Portfolio Analysis

Investments of the Company continued

	2015 £'000	2014 £'000
Index-Linked Securities:		
UK Treasury 1.25% 2017	**3,483**	3,540
USA Treasury 1.375% 2018	**3,448**	3,122
USA Treasury 2.0% 2026	**3,281**	3,132
UK Treasury 0.125% 2024	**2,829**	3,661
USA Treasury 0.625% 2021	**2,723**	2,385
Sweden (Kingdom of) 0.5% 2017	**2,227**	2,573
USA Treasury 0.125% 2023	**2,067**	1,774
USA Treasury 1.125% 2021	**970**	856
UK Treasury 1.875% 2022	**849**	821
USA Treasury 1.375% 2020	**790**	705
Sweden (Kingdom of) 4.0% 2020	**656**	729
Canada (Govt of) 4.0% 2031	**618**	567
UK Treasury 0.125% 2019	**550**	–
USA Treasury 0.125% 2019	**550**	–
USA Treasury 0.125% 2018	**488**	–
USA Treasury 0.125% 2022	**176**	153
USA Treasury 1.625% 2018	**118**	107
Sweden (Kingdom of) 3.5% 2028	**–**	2,154
Japan (Govt of) 1.4% 2018	**–**	913
	25,823	27,192

	2015 £'000	2014 £'000
Fixed-Interest Securities:		
UK Treasury 2.0% 2016	**5,570**	2,969
Switzerland (Govt of) 3.0% 2018	**2,335**	3,748
USA Treasury 0.5% 2017	**2,225**	–
Ecofin Water & Power Opportunities plc 6.0% Convertible Unsecured Loan Stock 2016	**991**	104
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	**968**	917
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2016	**771**	832
SVG Capital 8.25% Convertible 2016	**638**	662
F&C Global Smaller Companies plc 3.5% Convertible Unsecured Loan Stock 2019	**520**	–
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	**517**	–
EPE Special Opportunities Convertible Loan Notes	**442**	349
Edinburgh Dragon Trust 3.5% 2018	**391**	194
Scottish American 8.0% 2022	**198**	175
The Mercantile Investment Trust plc 6.125% 2030	**191**	161
Enterprise Inns 6.5% 2018	**–**	565
Switzerland (Govt of) 2.5% 2036	**–**	403
Switzerland (Govt of) 2.0% 2014	**–**	341
	15,757	11,420
Total investments	**87,748**	82,352
Cash held by the custodian awaiting investment	**8,717**	8,972
Total investment funds	**96,465**	91,324

The Strategic Report, contained on pages 4 to 11 has been approved by the Board and signed on its behalf by:

Mr T R Pattison
Chairman
28 May 2015

Governance Report
Board, Management and Administration

Directors

Mr T R Pattison Chartered FCSI 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 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 Company, Regis Mutual Management Limited, Charities Investment Managers 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 E G Meek MSc 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
Appointed a director in 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.

Miss J G Matterson MCSI
Appointed a director in May 2015. Miss Matterson is a partner of Rossie House Investment Management in Edinburgh which specialises in private client portfolio management with particular emphasis on investment trusts. She was previously with Stewart Ivory & Co Ltd for 20 years, as an investment manager and director. She is the Chairman of Pacific Horizon Investment Trust plc and a Director of BlackRock Throgmorton Trust plc.

Mr R Archibald BCom, CA
Appointed a director in May 2015. Mr Archibald was most recently head of corporate finance and broking at Winterflood Investment Trusts. He qualified as a chartered accountant in 1983 and subsequently worked with Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and as partner and corporate financier with the corporate finance division of a Scottish accountancy firm. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector. He is a non-executive director and audit chairman of Albion Technology and General VCT plc, and a director of Ediston Property Investment Company plc.

Investment manager

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

Established in 2001. The company currently has three clients: Capital Gearing Trust plc, the Capital Gearing Portfolio Fund Plc and the CG Portfolio Fund plc with total funds under management of £1.4 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

Company secretary

TMF Nominees Limited
6 St Andrew Street, London EC4A 3AE
E-mail: company.secretary@capitalgearingtrust.com

AIC

Association of Investment Companies
www.theaic.co.uk

Registrar

Computershare Investor Services Plc
The Pavilions, Bridgwater Road, Bristol BS13 8AE

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 2015.

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 of the CT Act 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 £785,000 (2014: £315,000).

Your Board recommends the payment of a dividend of 20p per Ordinary share for the year ended 5 April 2015, (2014: 16p) amounting to £585,000 (2014: £468,000) for approval by shareholders at the forthcoming annual general meeting. The dividend will be payable on 17 July 2015 to shareholders on the register of members on 5 June 2015, the associated ex-dividend date being 4 June 2015. 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 2015 financial statements comprises the 2014 final dividend.

Net asset value per Ordinary share

The net assets per 25p Ordinary share of the Company were valued at 3,297.6p, compared with a figure of 3,119.7p as at 5 April 2014.

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 2015, 2,926,906 Ordinary shares were in issue (2014: 2,926,906).

There are no:

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

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

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

During the financial year no ordinary shares were issued (2014: 5,000). The Company aimed to repurchase shares when they were available at a discount of between 1% and 1.5% of net asset value. During the financial year no ordinary shares were repurchased (2014: nil). It was intended that any shares purchased would be transferred into treasury, rather than being cancelled. Whilst the shares are held in treasury, no dividends are paid on them and they have no voting rights.

Management and contracts

Investment manager

The Company's investments are managed by CG Asset Management Limited ("CGAM") under an agreement dated 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 40. 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 directors, sitting as the Management and Engagement Committee, held a deep dive session into the investment strategy adopted by the investment manager on 21 April 2015. The performance of the investment manager during the year and the contractual arrangements with the investment manager were discussed at a Board meeting on 22 May 2015. Mr Laing, as a director of the investment manager, was not present during the course of the discussion at the Board meeting.

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 the year, the independent directors concluded on 22 May 2015 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.

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 £50,690 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.

Details of the fees paid during the year, including those paid to Northern Trust and TMF, are recorded in note 4 of the financial statements on page 40.

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 60 days (2014: 70 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 rates, 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. The directors do not consider that there are any material uncertainties to the Company's ability to continue to adopt this approach over a period of at least twelve months from the date of approval of these financial statements.

Political and charitable contributions

No contributions were made during the year for political or charitable purposes (2014: 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.

Governance Report (continued)
Directors' 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 interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. Appropriate authorisation is sought prior to the appointment of any new director or if any new conflicts or potential conflicts arise.

Directors
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 12, together with their biographies. Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report on page 28.

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 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.

Miss Matterson and Mr Archibald, having been appointed as directors since the previous AGM, retire and offer themselves for election in accordance with the articles of association of the Company.

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

It is expected that Mr Prescott and Mr Laing will next offer themselves for re-election in 2016 and 2017 respectively, in accordance with Principle 3 of the AIC Code.

After due consideration of the results of the performance evaluation, the Chairman and the Board confirm that they are content that the performance of Mr Meek continues to be effective and demonstrates commitment to his role, including the necessary commitment of time for Board and committee meetings and other duties as required. The Board believes that the re-election of Mr Meek and the election of Miss Matterson and Mr Archibald 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 2014 to 5 April 2015 and the directors' attendance is detailed below.

	Board (4)	Audit Committee (3)	Management Engagement Committee (0)
Mr T R Pattison	4	3	N/A
Mr G A Prescott	4	3	N/A
Mr E G Meek	4	3	N/A
Mr A L Laing	4	3	N/A
Mr R P A Spiller*	2	N/A	N/A

Two subcommittee meetings were also held during the year to approve the interim accounts and the annual report and accounts. All directors attended the 2014 AGM.

The investment management agreement was revised and updated on 6 April 2014. As a result the Management Engagement Committee did not meet during the year to 5 April 2015, but has met since, on 21 April 2015 to carry out a deep dive into the investment strategy and consider the proposed structural changes outlined on p4.

*Mr Spiller retired on 11 July 2014.

Substantial shareholders
At 5 April 2015, the Company had not received any notifications of interests in the Company's voting rights during the year. Since 5 April 2015 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary share class holdings.

At 5 April 2015, persons with a significant direct or indirect holding of shares in the company were as follows:

Name	Number of Ordinary shares	Issued Share Capital Held
Smith & Williamson	357,711	12.22%
R P A Spiller	305,675	10.44%
D R Hunter	217,000	7.41%
Schroders Private Banking	192,153	6.57%
Alliance Trust Savings	179,075	6.12%
Pictet	140,125	4.79%
Barclays Personal Investment Management	132,246	4.52%
Brewin Dolphin Securities	112,884	3.86%
Integrated Finance Arrangements	101,874	3.48%
Investec Wealth and Management	94,590	3.23%

Directors' Report

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 on page 15.
- 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 page 17.
- 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 18 to 22. 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 investment manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

Annual general meeting (the "AGM")

The following 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 affected.

The AGM of the Company will be held on 8 July 2015 at 11am at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH. The formal notice of such is set out on pages 49 to 51. Resolutions relating to items of noteworthy and/or special business as detailed below will be proposed at the AGM.

Resolutions 4 to 6 – Election and 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 Meek will offer himself for re-election at this year's AGM. 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 Mr Meek's contribution to the operation of the Board.

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. Miss Matterson and Mr Archibald were appointed on 28 May 2015 and they retire in accordance with the Articles at the AGM and, being eligible, offer themselves for election. Mr Prescott and Mr Laing, having been elected in 2013 and 2014 respectively, will next retire by rotation at the AGM in 2016 and 2017 respectively. Mr Pattison will retire at the AGM but will not offer himself for re-election.

The Board recommends that Mr Meek, Miss Matterson and Mr Archibald be re-elected or elected, as appropriate.

Mr Meek

Mr Meek is a former investment banker and stockbroker, with significant experience in senior financial roles, including previous appointments as an executive director for publicly listed companies. His knowledge and experience are of great value to the Board, particularly his relationship with shareholders. It is intended that Mr Meek will take over the Chairmanship of the Board from Mr Pattison.

Miss Matterson (appointed 28 May 2015)

Miss Matterson is an experienced investment manager with significant experience in the investment trust industry. She is the Chairman of Pacific Horizon Investment Trust plc and a Director of BlackRock Throgmorton Trust plc. She is also a partner of an investment management firm.

Mr Archibald (appointed 28 May 2015)

Mr Archibald is an experienced corporate financier and a chartered accountant. He holds relevant directorships with Albion Technology and General VCT plc and Ediston Property Investment Company plc.

Resolutions 9 and 10 – Discount control and realisation policy

The Board is proposing to evolve its existing discount control and realisation policies by adopting a zero discount/premium management policy and, as a result, ceasing to offer periodic tenders at realisation value. The Chairman's Statement on page 4 provides further details and outlines the benefits and impacts to these proposals.

Governance Report (continued)

Directors' Report

Resolutions 11 and 12 – Directors authority to allot shares and disapply pre-emption rights
At the AGM held on 11 July 2014 (the "2014 AGM"), the directors were given the authority until the date of the following AGM to allot up to 975,635 Ordinary shares and to disapply pre-emption rights in respect of up to 10% of these shares. However, no shares were allotted in pursuance of these authorities.

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 as 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 £73,172.50), including any shares which have been bought back as treasury shares.

The Board recognises institutional investor guidelines which state that non pre-emptive issues should be limited to a maximum of 10% (an increase of 5%) of issued share capital, with the additional 5% being used only in connection with an acquisition or specified capital investment being announced contemporaneously with the issue.

However, the Board believes that a degree of flexibility is appropriate in circumstances where issuance of equity securities on a non pre-emptive basis would be in the interests of the Company and its shareholders.

Resolution 13 – Authority to make market purchases of the Company's shares
At the 2014 AGM, the directors were given the authority until the date of the following AGM to buy back up to 438,743 Ordinary shares (14.99% of the issued share capital at the date of the 2014 AGM). This authority was not exercised during the financial year and so remained in force at 5 April 2015.

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 2016 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 14 – Notice of general meeting
At the Company's 2014 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 exclude AGMs, which can only be held on 21 clear days' notice. Without such shareholder authority, all general meetings need 21 clear days' notice.

The Board considers it prudent to retain the ability to call general meetings other than AGMs on the shorter notice period of 14 clear days, and this resolution seeks such approval from 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 12. 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 2015

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 2015 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 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 2015 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 current Chairman of the Board. Mr Pattison, who has served on the Board for 30 years, will not stand for re-election at the Company's AGM in July 2015. Mr Meek will take over the Chairmanship. The Board subscribes to the AIC Code view that length of tenure is not necessarily an issue, rather the directors' contribution. The Board believes that Mr Meek is independent in character and judgement and 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 Prescott will take over from Mr Meek as 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 six non-executive directors and, with the exception of 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 Laing, and reviewed by the Chairman and by the Board as a whole. With regard to the length of tenure, as noted above, the Board subscribes to the AIC's belief that, in the case of investment companies, lengthy service on a Board does not compromise independence from the manager and that therefore long-serving directors can form part of an independent majority. In light of the benefits of Board continuity, long-term vision and retention of sufficient experience of both the Company and the markets, the Board believes that the achievement of a balance of newly serving and long-serving directors is of great benefit to shareholders.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but 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.
5. There should be full disclosure of information about the Board.	The directors' biographies can be found on page 12; details of their interests in shares and meeting attendance are on pages 28 and 15 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.

Governance Report (continued)
Corporate Governance Statement

Principle	Company Compliance
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 12 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 SID confirm that the performance of each director continues to be effective and demonstrates their commitment to their role. This includes time for ad hoc communications throughout the year in addition to formal Board and committee meetings. Mr Meek is offering himself for re-election at the Company's forthcoming AGM, whilst Miss Matterson and Mr Archibald are offering themselves for election, having been appointed by the Board on 28 May 2015. 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 2015 were analysed at a meeting of the Board on 22 May 2015. 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 Company's articles of association limit the aggregate fees payable to the Board to a total of £100,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on page 27.
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. Mr Meek and Mr Prescott took the lead in the appointment of the Company's new directors, Miss Matterson and Mr Archibald. The Company appointed Miss Matterson and Mr Archibald on 28 May 2015. The Board seeks to search for candidates and make appointments based on merit, against objective criteria and with due regard for the benefits of diversity on the board. It also assesses the roles of the existing directors in office to ensure that there continues to be a balanced board in terms of skills, knowledge, experience and diversity, as well as planning for efficient succession and the progressive refreshing of the Board. The following procedure was adopted to select a new non-executive director to replace Mr Pattison on his retirement from the Board at the AGM in July. A long list was created, using external and internal sources. This list was subjected to the criteria previously described, and a shortlist was presented to the Board. Each of the existing directors then met with the candidates on the shortlist. A discussion of the merits of the candidates was conducted at a subsequent Board meeting. In accordance with AIC Code recommendations, only the independent non-executive Directors voted on the appointment of the new directors and Mr Pattison was not involved in the selection of Mr Meek as his successor as Chairman. The Board considered that the calibre of candidates on the short list was sufficiently high so as not to warrant the additional expense of using an external search consultancy or open advertising.

Corporate Governance Statement

Principle	Company Compliance
10. Directors should be offered relevant training and induction.	On appointment, directors are provided with key information on their responsibilities and duties as directors, together with relevant background information on the Company and its activities and an induction to the work of the investment manager. Further appropriate training is arranged where this is considered necessary. In addition, each director is encouraged to seek ongoing training opportunities, both in relation to their office with the Company and otherwise. A log of relevant training and development events attended by the directors is maintained by the company secretary and reviewed regularly by the Chairman to ensure that each director undertakes appropriate activity in this regard. All directors have access to the advice and services of the corporate company secretary (through its appointed representative) who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board has an established procedure, whereby directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. Directors are updated regularly on statutory, regulatory and industry matters and internal controls, and changes affecting directors' responsibilities are advised to the Board as they arise.
11. The chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Not applicable to the Company at present.
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets on a quarterly basis and additionally as necessary to review the overall business of the Company, as well as to consider matters specifically reserved for it. Detailed information is provided by the investment manager, portfolio administrator and company secretary at each meeting, enabling the directors to monitor the Company's investment performance and other matters of relevance. Details of the numbers of Board and committee meetings held during the financial year and the attendance record of each director are shown on page 15.
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 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 13 and 14.

Governance Report (continued)
Corporate Governance Statement

Principle	Company Compliance
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 currently 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. No shares were issued or bought back this year, however the Board is proposing to implement a zero discount/premium management policy, details of which are outlined on page 4.
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. The Board is currently undertaking a more substantial review of its service providers, with the evolution of the Company's investment strategy and structure in mind.
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 accounts and notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders and others wishing to contact the Board are invited to do so by writing to the company secretary at the registered address given on page 50 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.

Principle	Company Compliance
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 daily calculation of the NAV of the Company's shares, 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 report and interim report are posted to each shareholder, and are also available on the Company's website. All information provided is considered to be a useful update for shareholders and others taking an interest in the Company. The annual report sets out the responsibilities reserved for the Board and those delegated to the investment manager, and records the Board's consideration of the performance of the investment manager over the year.

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

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

Control of risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance statements, financial and risk analyses, investment manager reports and control reports. Key risks have been identified and controls put in place to mitigate them, including those not directly the responsibility of the 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, comprises all the independent directors of the Company and is chaired by Mr Pattison. Mr Meek will take over the chairmanship after Mr Pattison retires. The Committee meets 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 2015 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 2015

Audit Committee Report

Dear Shareholder,

As Chairman of the Company's Audit Committee (the "Committee") I am pleased to present the Committee's report to shareholders for the year ended 5 April 2015.

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

Role and Responsibilities

The responsibilities of a company's audit committee are set out in the UK Corporate Governance Code and Disclosure and Transparency Rule 7.1. The key objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial records and externally published results. In doing so, the Committee operates within its terms of reference, which are available on the corporate website at http://www.capitalgearingtrust.com/the-board, and are reviewed annually. It discharges the following key functions:

- The Committee meets at least three times a year to review the internal financial and non-financial controls, to consider the integrity of and recommend to the Board for approval the contents of the draft interim and annual reports to shareholders and related announcements;
- To review the accounting policies and significant financial reporting judgements;
- The Committee reviews the external auditors' independence, objectivity, effectiveness, appointment, remuneration, the quality of the services of the service-providers to the Company;
- Together with the investment manager, the Committee reviews the Company's compliance with financial reporting and regulatory requirements; and
- The Committee 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.

Composition

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 12. Miss Matterson and Mr Archibald will join the Audit Committee after Mr Pattison retires in July 2015.

Significant issues considered regarding the annual report and financial statements

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

Audit Committee Report

The table below sets out the key areas of risk identified and also explains how these were addressed during the year 2014 – 2015.

Significant Issue	How the issue was addressed
Risk of fraud in revenue recognition, particularly as a result of investing in unlisted trusts.	The investment manager reported to the Committee that less than 1% of the Company's fund is invested in delisted investment trusts, with the values of these investments treated conservatively.
Potential for management override of controls	Control of outsourced risks identified, covering financial, operational, compliance and risk management.
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 38. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations. The external auditors test the value and existence of targeted investments.
AIFM Directive – registration under small internally managed AIF regime vs full scope	The investment manager has been instructed to manage its leveraged positions to comply with the sub-threshold regulations. The Committee regularly reviews and discusses the Company's position in relation to the AIFMD and is progressing the due diligence process with a view to appointing an AIFM under the full scope regime as and when necessary.
Going Concern	The content of the investment portfolio, trading activity, portfolio diversification and the cash balances are discussed at each meeting. After due consideration, the Committee concluded it was appropriate to prepare the Company's accounts on a going concern basis and made this recommendation to the Board. The relatively high level of liquidity of the portfolio was a key factor that led to this conclusion.
Compliance with sections 1158 and 1159 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.

2015 – 2016 Action plan

A number of similar matters will be considered again in 2015, particularly those relating to the changing regulatory and economic environment, and the risks and opportunities so presented. Inevitably, the annual report and accounts and the interim statement will occupy much Committee time. We expect, in particular, to focus on the risks associated with the proposed structural change and zero discount policy, which are addressed in the Chairman's Statement on page 4, as well as the possibility of applying for full scope authorisation under the AIFMD.

Auditor and audit tenure

The Company's current auditor, PricewaterhouseCoopers LLP ("PwC") has acted in this role for more than ten years. The Committee reviews the performance of the auditor on a regular basis, 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 considers their on-going selection to be in the best interests of the Company and has recommended their continuing appointment to the Board.

There is currently no requirement for the contract to be put out to tender; however EU audit reform proposals have been approved which mean that in the future we will have to rotate our auditor every ten years: based on these proposals, we will be required to rotate our auditor by 2020. However, the Committee will continue to review the efficacy of the appointment of the auditor and, if thought appropriate, will recommend to the Board that the audit be put out to tender in advance of the mandatory rotation date.

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 tax advisory services. Fees paid in respect of these services were £16,000 excluding VAT (2014: £20,000). The fees paid to the external auditor are set out in note 4 on page 40. The fees for non-audit work carried out this year represent 72% of audit fees.

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 auditors have 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.

Governance Report (continued)
Audit Committee Report

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

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

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

c) 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.

The Committee regularly reviews the effectiveness of the external audit process against these criteria, and is satisfied that audit quality continues to be sufficient to allow the Company to meet its obligations, and to gain value from the services provided.

Committee Evaluation
The Board conducts a formal annual review of the Committee's effectiveness, using an evaluation questionnaire. The outcome was positive with no significant concerns expressed. With the appointment of Miss Matterson and Mr Archibald, the Committee will benefit from refreshed membership.

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;

d) the existence of satisfactory control reports 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 (Service Organisation Control (SOC 01) reports and Audit and Assurance Faculty (AAF) reports).

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 5 April 2015, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, position, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 29.

Mr G A Prescott
Chairman
Audit Committee
28 May 2015

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 the Companies Act 2006. The shareholders approved this policy at the last annual general meeting and, in accordance with the requirements of the Companies Act 2006, the policy will next be put to shareholders for approval at the annual general meeting in 2017. The Company has implemented the approved remuneration policy with effect from 5 April 2015. 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. The directors are remunerated exclusively by fixed fees in cash. There are no performance related elements to the directors' fees and the Company does not operate any type of incentive, share scheme or pension scheme. Therefore, no directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company.

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

Governance Report (continued)
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. These elements are described below as 'audited'. The auditors' opinion is included within the auditors' report set out on pages 30 to 33. 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.

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 40.

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:

	2015 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 2015 is summarised below:

	Fees £	Other taxable benefits £	Performance related benefits £	Pension related benefits £
2015	£25,000	n/a	n/a	n/a
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

Single total figure of remunerations (audited)

The single total figure of remuneration for the board as a whole for the year ended 5 April 2015 was £85,500 (2014: £88,500). The single total figure table for the total remuneration of each director for the year ended 5 April 2015, together with the prior years' comparative is set out in the table below:

Directors	Base salary		Total	
	2015 £	2014 £	**2015 £**	2014 £
Mr T R Pattison (Chairman of the Board)	**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 E G Meek	**18,000**	18,000	**18,000**	18,000
Mr A R Laing (appointed 6 November 2013)	**18,000**	7,500	**18,000**	7,500
Mr R P A Spiller (retired 11 July 2014)	**4,500**	18,000	**4,500**	18,000
	85,500	88,500	**85,500**	88,500

No payments were made to any former directors other than the sum shown above in respect of Mr Spiller's service to 11 July 2014. No loss of office payments were made to any person who has previously served as a director of the Company at any time during the financial year ended 5 April 2015.

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 2015	5 April 2014
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**	12,334
Mr A R Laing		
Non-executive Director and director of the investment manager	**3,464**	658
Mr R P A Spiller (retired 11 July 2014)		
Non-executive Director and director of the investment manager	**305,671**	305,671

No changes in these holdings have been notified since 5 April 2015 up to the date of this report. The Company has no share options or any share schemes, and does not operate a pension scheme. None of the directors are required to own shares in the Company.

Mr Pattison holds indirect voting rights over 3,478 shares in the Company which are legally owned by IPM Personal Pension Trustee Limited in a self-invested personal pension scheme.

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 a director.

Performance graphs

Graphs showing the Company's net asset value compared with the FTSE All-Share Index over the last ten years and over the period from 1985 to date are shown on pages 2 and 3. A graph comparing the Company's share price total return to shareholders over the last ten years, with the FTSE All-Share 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:

	2015	2014	% change
Remuneration paid to all directors	**£85,500**	£88,500	-3.4%*
Distribution to shareholders by way of dividend**	**£585,000**	£468,000	25%

*Decrease in 2015 remuneration paid to all directors attributable to Mr Spiller's retirement from 11 July 2014.

**Dividend for 2015 comprises the final dividend proposed for the year but not yet paid.

Statement of voting at the last Annual General Meeting

At the last AGM held on 11 July 2014, shareholders passed the resolutions to approve the Directors' Remuneration Report and the Remuneration Policy on a show of hands. Furthermore and in respect of both resolutions, of the total 412,799 proxy votes cast, 411,220 were in favour and 1,579 were against. 800 votes were withheld. There were therefore no substantial shareholder votes against the resolutions at the Annual General Meeting in 2014. Should there be in the future, the directors will seek to discuss with relevant shareholders the reasons for any such vote and any actions in response will be disclosed in future reports.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors' Remuneration Report summarises as appropriate for the year ended 5 April 2015:

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

Mr T R Pattison
Chairman
28 May 2015

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

The directors are responsible for preparing financial statements for each financial year. The directors are also required to prepare a strategic report, directors' report, directors' remuneration report and corporate governance statement 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.

Declaration

Each of the directors 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 strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In addition, each of the directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, position, business model and strategy.

For and on behalf of the Board

Mr T R Pattison
Chairman
28 May 2015

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

Report on the financial statements

Our opinion

In our opinion, Capital Gearing Trust P.l.c.'s financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 5 April 2015 and of its profit 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.

What we have audited

Capital Gearing Trust P.l.c's financial statements comprise:

- the Income Statement for the year ended 5 April 2015;
- the Reconciliation of Movements in Shareholders' Funds for the year ended 5 April 2015;
- the Balance Sheet as at 5 April 2015;
- the Cash Flow Statement for the year ended 5 April 2015; 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

- Overall materiality: £965,000 which represents 1% of net assets.
- The company is a standalone Investment Trust Company and engages CG Asset Management Limited (the 'Manager') to manage its assets.
- We tailored the scope of our audit taking into account the types of investments within the company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.
- Income
- Valuation and existence of investments

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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

Our audit approach continued

Area of focus	How our audit addressed the area of focus
Income Refer to page 24 (Audit Committee Report) and page 38 (Accounting Policies). ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve total return in line with the objective of the company. We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have a material impact on the company's net asset value.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses: • For unrealised gains/losses, we obtained an understanding of, and then tested the valuation process as set out, to ascertain whether these gains/losses were appropriately calculated; and • For realised gains/losses, we tested disposal proceeds by agreeing the proceeds to bank statements and sale agreements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance.
Valuation and existence of investments Refer to page 24 (Audit Committee Report) and page 38 (Accounting Policies). The investment portfolio at the year-end principally comprised listed equity investments, zero coupon preference shares, fixed interest and index-linked securities valued at £87.7m We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from Northern Trust Company. No differences were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the company operates.

The company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the directors.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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.

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

Our audit approach continued

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

Overall materiality	£965,000 (2014: £913,000).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £48,000 (2014: £46,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 29, 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.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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	We have no exceptions to report arising from this responsibility.
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or	
– otherwise misleading.	
• the statement given by the directors on page 29, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), 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 is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages 23 to 25, as required by provision C.3.8 of the Code, 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.

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

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you 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 ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

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.

What an audit of financial statements involves

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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through understanding the control environment at the Manager and the Administrator, and substantive procedures.

In addition, we read all the financial and non-financial information in the 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.

Martin O'Hanlon (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
28 May 2015

Income Statement
for the year ended 5 April 2015

	Note	**Revenue £'000**	**Capital £'000**	**2015 Total £'000**	Revenue £'000	Capital £'000	2014 Total £'000
Net gains on investments	9	**–**	**3,305**	**3,305**	–	1,390	1,390
Exchange gains/(losses)	9	**–**	**1,945**	**1,945**	–	(3,059)	(3,059)
Investment income	2	**1,355**	**–**	**1,355**	999	–	999
Gross return		**1,355**	**5,250**	**6,605**	999	(1,669)	(670)
Investment management fee	3	**(224)**	**(337)**	**(561)**	(307)	(461)	(768)
Transaction costs		**–**	**(60)**	**(60)**	–	(55)	(55)
Other expenses	4	**(345)**	**–**	**(345)**	(374)	–	(374)
Net return on ordinary activities before tax		**786**	**4,853**	**5,639**	318	(2,185)	(1,867)
Tax (charge)/credit on net return on ordinary activities	6	**(1)**	**37**	**36**	(3)	3	–
Net return attributable to equity shareholders	15	**785**	**4,890**	**5,675**	315	(2,182)	(1,867)
Return per Ordinary Share	8	**26.82p**	**167.07p**	**193.89p**	10.77p	(74.59)p	(63.82)p

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

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

There are no gains or losses other than those recognised in the income statement.

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.

The notes on pages 38 to 48 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 5 April 2015

	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 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
Balance at 6 April 2014		**731**	**12,107**	**16**	**4,857**	**72,117**	**1,484**	**91,312**
Exchange gains on investments	9	**–**	**–**	**–**	**1,491**	**454**	**–**	**1,945**
Net gains on realisation of investments	9	**–**	**–**	**–**	**–**	**5,634**	**–**	**5,634**
Net decrease in unrealised appreciation	9	**–**	**–**	**–**	**(2,329)**	**–**	**–**	**(2,329)**
Transfer on disposal of investments		**–**	**–**	**–**	**2,633**	**(2,633)**	**–**	**–**
Transaction costs	9	**–**	**–**	**–**	**(45)**	**(15)**	**–**	**(60)**
Costs charged to capital	3	**–**	**–**	**–**	**–**	**(337)**	**–**	**(337)**
Tax on costs charged to capital	6	**–**	**–**	**–**	**–**	**37**	**–**	**37**
Net revenue for the year		**–**	**–**	**–**	**–**	**–**	**785**	**785**
Total		**731**	**12,107**	**16**	**6,607**	**75,257**	**2,269**	**96,987**
Dividends paid	7	**–**	**–**	**–**	**–**	**–**	**(468)**	**(468)**
Balance at 5 April 2015		**731**	**12,107**	**16**	**6,607**	**75,257**	**1,801**	**96,519**

The notes on pages 38 to 48 form an integral part of these financial statements.

Balance Sheet
at 5 April 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	**87,748**	82,352
Current assets			
Debtors	10	**465**	9,301
Cash at bank and in hand		**8,737**	21
		9,202	9,322
Creditors: amounts falling due within one year	11	**(431)**	(362)
Net current assets		**8,771**	8,960
Total assets less current liabilities		**96,519**	91,312
Capital and reserves			
Called-up share capital	12	**731**	731
Share premium account	13	**12,107**	12,107
Capital redemption reserve	13	**16**	16
Capital reserve arising on investments held	13	**6,607**	4,857
Capital reserve arising on investments sold	13	**75,257**	72,117
Revenue reserve	13	**1,801**	1,484
Total equity shareholders' funds	15	**96,519**	91,312
Net asset value per Ordinary Share	14	**3,297.6p**	3,119.7p

The financial statements on pages 34 to 37 were approved by the Board on 28 May 2015 and signed on its behalf by:

Mr T R Pattison
Chairman

The notes on pages 38 to 48 form an integral part of these financial statements.

Company Number: NI 005574

Cash Flow Statement

for the year ended 5 April 2015

	Note	2015 £'000	2014 £'000
Net cash inflow/(outflow) from operating activities	16	**404**	(102)
Taxation			
Foreign tax paid on investment income		**(22)**	(41)
Foreign tax refund received		**36**	–
		14	(41)
Capital expenditure and financial investment			
Payments to acquire investments		**(22,661)**	(24,054)
Receipts from sale of investments		**22,455**	30,529
		(206)	6,475
Equity dividends paid	7	**(468)**	(468)
Management of liquid resources			
Change in cash held by the custodian awaiting investment		**8,972**	(6,042)
Financing			
Issue of Ordinary share capital	12	**–**	178
Increase in cash*	18	**8,716**	–

*Included within the increase in cash is an amount of £8,717,000 arising on the reclassification of funds held by the custodian from debtors to cash.

The notes on pages 38 to 48 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 £279,000 (2014: £324,000).

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% (2014: 60%) to capital reserve arising on investments sold and 40% (2014: 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.

1 Accounting policies continued

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

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

g) Foreign currency

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

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

	2015 £'000	2014 £'000
Income from investments:		
Income from UK bonds	**420**	253
Income from UK equity and non-equity investments	**411**	303
Interest from overseas bonds	**297**	443
Interest from overseas equity and non-equity investments	**227**	–
Total income	**1,355**	999

	2015 £'000	2014 £'000
Total income comprises:		
Dividends	**638**	303
Interest	**717**	696
	1,355	999

	2015 £'000	2014 £'000
Income from investments comprises:		
Listed in the UK	**831**	556
Listed overseas	**524**	443
	1,355	999

Notes to the Financial Statements (continued)

3 Investment management fee

	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Investment management fee	**224**	**337**	**561**	307	461	768

The Company's investment manager CG Asset Management Limited received an annual management fee equal to 0.60% (2014: 0.85%) of the gross assets of the Company. At 5 April 2015 £144,680 (2014: £194,104) 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 38. The terms of the investment manager are detailed on page 13.

4 Other expenses

	2015 £'000	2014 £'000
Administrative expenses:		
Portfolio administration	**56**	55
Fees payable to Company auditor for the audit of Company accounts	**22**	22
Fees payable to Company auditor for other services:		
Services relating to taxation compliance	**12**	12
Services relating to taxation advisory	**–**	4
Other taxation services	**4**	4
Directors' remuneration (note 5)	**86**	89
Company secretarial and accountancy services	**106**	104
General expenses	**59**	84
	345	374

The above expenses include irrecoverable VAT where appropriate.

5 Directors' remuneration

	2015 Total £'000	2014 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 (retired 11 July 2014)	**5**	18
Mr A R Laing	**18**	8
Mr E G Meek	**18**	18
	86	89

Mr R P A Spiller's and Mr A R Laing's fees are paid directly to their employer. The Company made no pension contributions (2014: £nil) in respect of directors and no pension benefits are accruing to any director (2014: £nil).

Mr R P A Spiller received remuneration totalling £102,753 (2014: £165,128) from CG Asset Management Limited in respect of its services to the Company.

Mr A R Laing received remuneration totalling £32,233 (2014: £47,527) 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	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Current tax:						
Corporation tax	**(37)**	**37**	**–**	(3)	3	–
Adjustment in respect of prior year:						
Foreign tax	**36**	**–**	**36**	–	–	–
Total current tax	**(1)**	**37**	**36**	(3)	3	–

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 20% (2014: 20%). The differences are explained below:

	Revenue £'000	Capital £'000	2015 Total £'000	Revenue £'000	Capital £'000	2014 Total £'000
Return on ordinary activities before taxation	**786**	**4,853**	**5,639**	318	(2,185)	(1,867)
Return on ordinary activities at the standard rate of UK corporation tax	**157**	**971**	**1,128**	64	(437)	(373)
UK franked dividends*	**(120)**	**–**	**(120)**	(61)	–	(61)
Capital returns*	**–**	**(1,038)**	**(1,038)**	–	345	345
Unrelieved loss for the year	**–**	**30**	**30**	–	89	89
Foreign tax	**(36)**	**–**	**(36)**	–	–	–
Current tax charge/(credit) for the year	**1**	**(37)**	**(36)**	3	(3)	–

*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 £182,000 at 5 April 2015 (£152,000 at 5 April 2014) have not been recognised as the prospect for their recovery against future taxation liabilities is uncertain.

During the year withholding tax refunds of £39,000 (2014: £nil) in relation to prior periods were received from the Swiss tax authorities. Of these refunds £36,000 (2014: £nil) have been credited to the income statement and £3,000 (2014: £nil) have been offset against the existing corporation tax debtor.

7 Dividends paid

	2015 £'000	2014 £'000
Ordinary Shares		
2014 dividend paid 17 July 2014 (16.0p per share)	**468**	–
2013 dividend paid 25 July 2013 (16.0p per share)	**–**	468

The directors have recommended to shareholders a final dividend of 20p per share for the year ended 5 April 2015. If approved, this dividend will be paid to shareholders on 17 July 2015. 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 £585,000.

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividend for the year	**785**	315
Proposed final dividend of 20p for the year ended 5 April 2015	**(585)**	(468)
Undistributed revenue for purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010*	**200**	(153)

* Undistributed revenue comprises approximately 14.8% (2014: 0.0%) of income from investments of £1,355,000 (2014: £999,000).

Notes to the Financial Statements (continued)

8 Return per Ordinary share

The return per Ordinary share of 193.89p (2014: (63.82)p) is based on the total net return after taxation for the financial year of £5,675,000 (2014: £(1,867,000)) and on 2,926,906 (2014: 2,925,331) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Revenue return per Ordinary share of 26.82p (2014: 10.77p) is based on the net revenue return on ordinary activities after taxation of £785,000 (2014: £315,000) and on 2,926,906 (2014: 2,925,331) Ordinary shares, being the weighted average number of Ordinary shares in issue in each year.

Capital return per Ordinary share of 167.07p (2014: (74.59)p) is based on the net capital return for the financial year of £4,890,000 (2014: £(2,182,000)) and on 2,926,906 (2014: 2,925,331) 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

	2015 £'000	2014 £'000
Investments comprise –		
Listed investment companies:		
Incorporated in the United Kingdom	**34,333**	31,472
Incorporated overseas	**4,875**	5,366
Listed United Kingdom government bonds	**13,281**	10,992
Listed United Kingdom non-government bonds	**4,590**	3,959
Listed overseas government bonds	**22,672**	23,661
Listed overseas non-government bonds	**1,037**	–
Miscellaneous international equities	**6,960**	6,902
	87,748	82,352
Cost of investments held at 6 April	**77,495**	79,077
Unrealised appreciation at 6 April	**4,857**	11,474
Fair value of investments held at 6 April	**82,352**	90,551
Additions at cost	**22,661**	24,054
Disposals proceeds	**(22,455)**	(30,529)
Transaction costs	**(60)**	(55)
Exchange (losses)	**1,945**	(3,059)
Disposals – realised gains	**5,634**	3,442
(Decrease) in unrealised appreciation	**(2,329)**	(2,052)
Fair value of investments held at 5 April	**87,748**	82,352
Book cost at 5 April	**81,143**	77,495
Unrealised appreciation at 5 April	**6,605**	4,857
	87,748	82,352
Exchange gains/(losses)	**1,945**	(3,059)
Disposals – realised gains	**5,634**	3,442
(Decrease) in unrealised appreciation	**(2,329)**	(2,052)
Gains on investments	**3,305**	1,390

The geographical spread of investments is shown on page 9.

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

10 Debtors

	2015 £'000	2014 £'000
Cash held by the custodian awaiting investment	**–**	8,972
Other debtors	**173**	–
Prepayments and accrued income	**187**	246
Corporation tax	**105**	83
	465	9,301

The directors have determined that it is more relevant to readers of the financial statements if Cash held by the custodian awaiting investment is included as part of Cash at bank and in hand on the balance sheet. The value of Cash held by the custodian awaiting investment at 5 April 2015 was £8,717,000 (2014: £8,972,000).

11 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Other creditors	151	–
Accruals and deferred income	280	362
	431	362

12 Called-up share capital

	2015 £'000	2014 £'000
Allotted and fully paid		
At the beginning of the year: 2,926,906 Ordinary shares (2014: 2,921,906)	731	730
Allotted during the year: no Ordinary shares (2014: 5,000)	–	1
At the end of the year: 2,926,906 Ordinary shares (2014: 2,926,906)	731	731

The Company did not allot any Ordinary shares of 25p each in the year (2014: 5,000 for a consideration of £178,000).

13 Reserves

	Share premium account £'000	Capital redemption held £'000	Capital reserve arising on investments reserve £'000	Capital reserve arising on investments sold £'000	Revenue reserve £'000
Balance at 6 April 2014	12,107	16	4,857	72,117	1,484
Exchange gains on investments	–	–	1,491	454	–
Net gains on realisation of investments	–	–	–	5,634	–
Net decrease in unrealised appreciation	–	–	(2,329)	–	–
Transfer on disposal of investments	–	–	2,633	(2,633)	–
Transaction costs	–	–	(45)	(15)	–
Costs charged to capital	–	–	–	(337)	–
Tax on costs charged to capital	–	–	–	37	–
Net revenue for the year	–	–	–	–	785
Dividends paid (note 7)	–	–	–	–	(468)
Balance at 5 April 2015	12,107	16	6,607	75,257	1,801

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

	2015	2014
Ordinary shares (basic)	3,297.6p	3,119.7p

Net asset value attributable to

	2015 £'000	2014 £'000
Ordinary shares (basic)	96,519	91,312

The movements during the year in the assets attributable to the Ordinary shares are detailed in note 15 on page 44.

Net asset value per Ordinary share is based on the net assets, as shown above, and on 2,926,906 (2014: 2,926,906) 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

	2015 £'000	2014 £'000
Opening equity shareholders' funds	**91,312**	93,469
Ordinary shares issued during the year	**–**	178
Net return for the financial year	**5,675**	(1,867)
Dividends paid (note 7)	**(468)**	(468)
Closing equity shareholders' funds	**96,519**	91,312

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

	2015 £'000	2014 £'000
Net revenue before finance costs and taxation	**786**	318
Investment management fee charged to capital	**(337)**	(461)
Increase in creditors	**69**	34
(Increase)/decrease in other debtors, prepayments and accrued income	**(114)**	7
Net cash inflow/(outflow) from operating activities	**404**	(102)

17 Analysis of net funds

	2015 £'000	2014 £'000
Cash at bank and in hand	**8,737**	21

18 Reconciliation of net cash flow to movement in net funds

	2015 £'000	2014 £'000
Net funds at the beginning of the year	**21**	21
Decrease in cash for the year	**(1)**	–
Reclassification of funds held by custodian from debtors to cash	**8,717**	–
Net funds at the end of the year	**8,737**	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 9 to 11. All investments are stated at bid value, which in the directors' opinion is equal to fair value.

Notes to the Financial Statements (continued)

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.

	2015 5% increase in market prices £'000	**2015 5% decrease in market prices £'000**	2014 5% increase in market prices £'000	2014 5% decrease in market prices £'000
Income statement – net return after taxation				
Revenue return	**(11)**	**11**	(14)	14
Capital return	**4,373**	**(4,373)**	4,100	(4,100)
Total return after taxation	**4,362**	**(4,362)**	4,086	(4,086)
Net assets	**4,362**	**(4,362)**	4,086	(4,086)
Net asset value per share	**149.03p**	**(149.03)p**	139.60p	(139.60)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.

	2015 1% increase in market prices £'000	**2015 1% decrease in market prices £'000**	2014 1% increase in market prices £'000	2014 1% decrease in market prices £'000
Income statement – net return after taxation				
Revenue return	**70**	**(70)**	72	(72)
Capital return	**–**	**–**	–	–
Total return after taxation	**70**	**(70)**	72	(72)
Net assets	**70**	**(70)**	72	(72)
Net asset value per share	**2.39p**	**(2.39)p**	2.46p	(2.46)p

Notes to the Financial Statements (continued)

19 Financial instruments continued

The interest rate profile of the Company's assets at 5 April 2015 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	**39,208**	**–**	**–**	**–**	**39,208**	**–**	**–**
UK index-linked government bonds	**7,711**	**–**	**7,711**	**–**	**–**	**0.7**	**5.6**
UK government bonds	**5,570**	**–**	**–**	**5,570**	**–**	**1.8**	**0.8**
UK non-government bonds	**4,590**	**–**	**–**	**4,590**	**–**	**4.7**	**2.6**
Overseas index-linked government bonds	**18,112**	**–**	**18,112**	**–**	**–**	**1.0**	**6.3**
Overseas government bonds	**4,560**	**–**	**–**	**4,560**	**–**	**0.9**	**2.3**
Overseas non-government bonds	**1,037**	**–**	**–**	**1,037**	**–**	**2.6**	**5.3**
Other equities	**6,960**	**–**	**–**	**–**	**6,960**	**–**	**–**
Invested Funds	**87,748**	**–**	**25,823**	**15,757**	**46,168**		
Cash at bank	**8,737**	**8,717**	**–**	**–**	**20**	**–**	**–**
Other debtors	**465**	**–**	**–**	**–**	**465**	**–**	**–**
Liabilities							
Creditors	**(431)**	**–**	**–**	**–**	**(431)**	**–**	**–**
Total net assets	**96,519**	**8,717**	**25,823**	**15,757**	**46,222**		

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		

Notes to the Financial Statements (continued)

19 Financial instruments continued

Fair value of financial assets and liabilities

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

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

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:

	2015 Investments £'000	**2015 Accrued interest £'000**	2014 Investments £'000	2014 Accrued interest £'000
Canadian Dollar	**618**	**5**	568	5
Euro	**174**	**–**	611	–
US Dollar	**20,881**	**32**	15,962	29
Swedish Krona	**2,883**	**16**	5,456	37
Swiss Franc	**2,587**	**15**	4,927	28
Australian Dollar	**47**	**–**	76	–
Japanese Yen	**–**	**–**	913	3
	27,190	**68**	28,513	102

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 10% in the rates of exchange of foreign currencies relative to Sterling. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's foreign currency investments at the balance sheet date with all other variables held constant.

	2015 10% appreciation of Sterling £'000	**2015 10% depreciation of Sterling £'000**	2014 10% appreciation of Sterling £'000	2014 10% depreciation of Sterling £'000
Income statement – net return after taxation				
Revenue return	**(42)**	**42**	(35)	35
Capital return	**(2,719)**	**2,719**	(2,851)	2,851
Total return after taxation	**(2,761)**	**2,761**	(2,886)	2,886
Net assets	**(2,761)**	**2,761**	(2,886)	2,886
Net asset value per share	**(94.33)p**	**94.33p**	(98.60)p	98.60p

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:

	2015 Balance sheet £'000	**2015 Maximum exposure £'000**	2014 Balance sheet £'000	2014 Maximum exposure £'000
Fixed assets – listed investments at fair value through profit and loss	**87,748**	**41,580**	82,352	38,611
Debtors – amounts due from the custodian, dividends and interest receivable	**348**	**348**	9,207	9,207
Cash at bank	**8,737**	**8,737**	21	21
	96,833	**50,665**	91,580	47,839

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 2015 of £96,519,000 (2014: £91,312,000) 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 A R Laing and Mr R P A Spiller, directors of the Company for all and part of the year ended 5 April 2015 respectively, 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 second Annual General Meeting of the Company will be held at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH on Wednesday, 8 July 2015 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive the Report of the Directors and the audited accounts for the year ended 5 April 2015.
2. To approve the Directors' Remuneration Report for the year ended 5 April 2015, together with the report of the auditor thereon.
3. To declare a final dividend of 20 pence per ordinary share.
4. To re-elect Graham Meek as a director.
5. To elect Jean Matterson as a director.
6. To elect Robin Archibald as a director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company.
8. To authorise the directors to determine the remuneration of the auditors.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolutions 9 to 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions:

Ordinary resolutions

Adoption of a new zero discount/premium management policy

9. THAT the zero discount/premium management policy described under the heading "Proposed zero discount/premium management policy" in the Chairman's statement contained in the annual report and accounts of the Company for the financial year ended 5 April 2015 be and it is hereby approved and the directors be and they are hereby authorised to implement such policy, subject to the limitations set out therein.

Authority to cease periodic realisation offer

10. THAT, subject to and conditional upon resolution 9 above being passed by the shareholders of the Company, the directors be and are hereby authorised to cease offering periodic tenders at realisation value.

Directors' authority to allot shares

11. THAT the directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal value of £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 2016, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

Directors' authority to disapply pre-emption rights

12. THAT, the directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 11 above or otherwise as if section 561 of the Act did not apply to any such allotment, and be empowered pursuant to section 573 of the Act to sell relevant 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 £73,172.50 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 2016, unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting (continued)

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

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of Ordinary shares of 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 2016 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

14. 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 2015

Location of Annual General Meeting

PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH	at 11.00 a.m. on Wednesday, 8 July 2015
Nearest National Rail Stations:	London Charing Cross
Nearest London Underground Stations:	Charing Cross – Bakerloo and Northern Lines
	Embankment – Bakerloo, Circle, District and Northern L ines

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 6ZV not later than 11.00 a.m. on 6 July 2015 (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 11 are proposed as ordinary resolutions which, to be passed, require more than half of the votes cast to be in favour of the resolution. Resolutions 12 to 14 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 27 May 2015 (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 12 of the report and accounts.

13. Copies of the letters of appointment for the non-executive directors will be available for inspection at the Company's registered office and the office of the company secretary, and also at the office of TMF Management (UK) Limited, 5th Floor, 6 St. Andrew Street, London EC4A 3AE, during usual business hours on any weekday (public holidays excluded) from the date of this notice until the close of the AGM and will also be available for inspection at the AGM from 10.30 a.m. until the close of the AGM.

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

Shareholder Information

Financial Reporting	Copies of the Company's annual and half-year reports may be obtained from the company secretary and electronic copies can be accessed on the Company's website www.capitalgearingtrust.com
Contacting the Board	Any shareholders wishing to communicate directly with the Board should do so via the company secretary
Capital Gains Tax	As at 31 March 1982 the adjusted value for capital gains tax purposes of the 25p Ordinary shares was 21.25p
Financial Calendar (guide)	Annual Results — May Annual General Meeting — July Dividend Payment Date — July Half-Year Report — November
Frequency of NAV Publication	Daily
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:	**2015 Number of shares**	**2015 % of Issued capital**	2014 Number of shares	2014 % of Issued capital
Nominee companies	**2,281,621**	**78.0**	2,162,502	73.9
Private shareholders	**611,836**	**20.9**	720,599	24.6
Banks and other companies	**33,449**	**1.1**	43,805	1.5
	2,926,906	**100**	2,926,906	100

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Capital Gearing Trust P.l.c.
Waterfront Plaza
8 Laganbank Road
Belfast, BT1 3LR

www.capitalgearingtrust.com