

CAPITAL GEARING TRUST P.L.C.

Annual Report and Financial Statements

For the period ended 31 March 2022

Company Summary

■ The Company

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

■ Investment Objective

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

■ Capital Structure and Voting Rights

The share capital comprises Ordinary shares of 25 pence each. As at 31 March 2022, 20,891,975 shares were in issue and no shares were held in treasury (5 April 2021: 13,813,113 shares in issue and no shares held in treasury). Each Ordinary share has one vote.

■ Discount/Premium Control Policy ("DCP")

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

■ Dividends

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

■ Management and Administration

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

■ Company's Website

Log on at: www.capitalgearingtrust.com

■ ISA

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

■ Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at the offices of J.P.Morgan, The Great Hall, 60 Victoria Embankment, London, EC4Y 0JP on Tuesday, 12 July 2022 at 11.00 a.m. Further details on the arrangements for the AGM are provided on page 68.



The Association of
Investment Companies

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

Information disclaimer

This report is produced for members of the Company with the purpose of providing them with information relating to the Company and its financial results for the period under review. If you are in any doubt as to the action you may need to take, please seek advice from your stockbroker, solicitor, accountant or other financial advisor authorised under the Financial Services and Markets Act 2000. This report contains subjective opinion, analysis and forward looking statements which, by their very nature involve uncertainty. Events beyond the control of the Directors and the Company may affect actual future results which may therefore differ to those indicated within this historical report. Market and currency fluctuations may occur which may in turn have an impact on the value of the Company's underlying investments in the future. Past performance is no guarantee of future performance. Investment returns are not guaranteed and you may not get back the amount you originally invested. Neither the Directors nor the Company take responsibility for matters outside of their control. The Board and its advisers, including CG Asset Management and Juniper Partners, have endeavoured to produce these audited accounts in good faith and in accordance with legislation, regulations, reporting standards and to be useful to stakeholders in the Company, including its shareholders.

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Financial Summary

Total return performance (to 31 March 2022)

	6 April 2021 to 31 March 2022	1 Year	3 Years	5 Years	10 Years
Share Price ¹	10.0%	10.6%	27.3%	38.1%	79.2%
NAV per Share ¹	10.5%	10.7%	27.0%	37.1%	85.1%
MSCI UK Index ¹	18.7%	19.1%	15.8%	24.4%	89.0%
Inflation (RPI)	9.0%	9.0%	13.5%	20.1%	34.3%
Share Price relative to MSCI UK	-7.3%	-7.1%	9.9%	11.0%	-5.2%
Share Price relative to RPI	0.9%	1.5%	12.2%	15.0%	33.4%

Key data (2022 data to 31 March, earlier periods to 5 April)

	2022	2021	2020	2019	2018	2017	2012
Market Capitalisation (£m)	1,073.8	651.3	482.2	328.9	225.3	172.4	88.0
Shareholders' Funds (£m)	1,049.8	634.0	470.1	321.9	219.5	169.5	84.6
Shares in issue	20,891,975	13,813,113	11,509,263	7,886,589	5,762,919	4,453,174	2,919,906
Share Price (pence)	5,140.0	4,715.0	4,190.0	4,170.0	3,910.0	3,870.5	3,015.0
NAV per Share (pence)	5,025.1	4,590.2	4,084.2	4,082.0	3,809.0	3,805.0	2,898.6
Premium to NAV ¹	2.3%	2.7%	2.6%	2.2%	2.6%	1.7%	4.0%
Earnings per Share (pence)	56.81	51.04	59.12	51.12	37.04	18.26	18.82
Total dividend per Share (pence)	46.00	45.00	42.00	35.00	27.00	20.00	18.50
Ongoing Charges Ratio ¹	0.52%	0.58%	0.65%	0.70%	0.77%	0.89%	1.31%
MSCI UK Index	18,168.57	15,303.2	12,085.7	16,062.4	14,884.2	14,615.9	9,540.5
UK Retail Price Index (at 31 March)	323.5	296.9	292.6	285.1	278.3	269.3	240.8

Allocation of portfolio

Index-Linked Government Bonds	35.0%	29.9%	25.1%	33.0%	37.9%	34.7%	46.9%
Conventional Government Bonds	3.9%	6.2%	18.8%	10.3%	1.1%	4.1%	5.9%
Preference Shares/Corporate Debt	10.9%	10.3%	14.0%	17.6%	17.3%	21.5%	19.3%
Funds/Equities	44.1%	46.0%	34.1%	35.2%	36.9%	33.4%	23.2%
Cash	4.8%	5.8%	6.9%	2.9%	5.8%	5.4%	2.5%
Gold	1.3%	1.8%	1.1%	1.0%	1.0%	0.9%	2.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

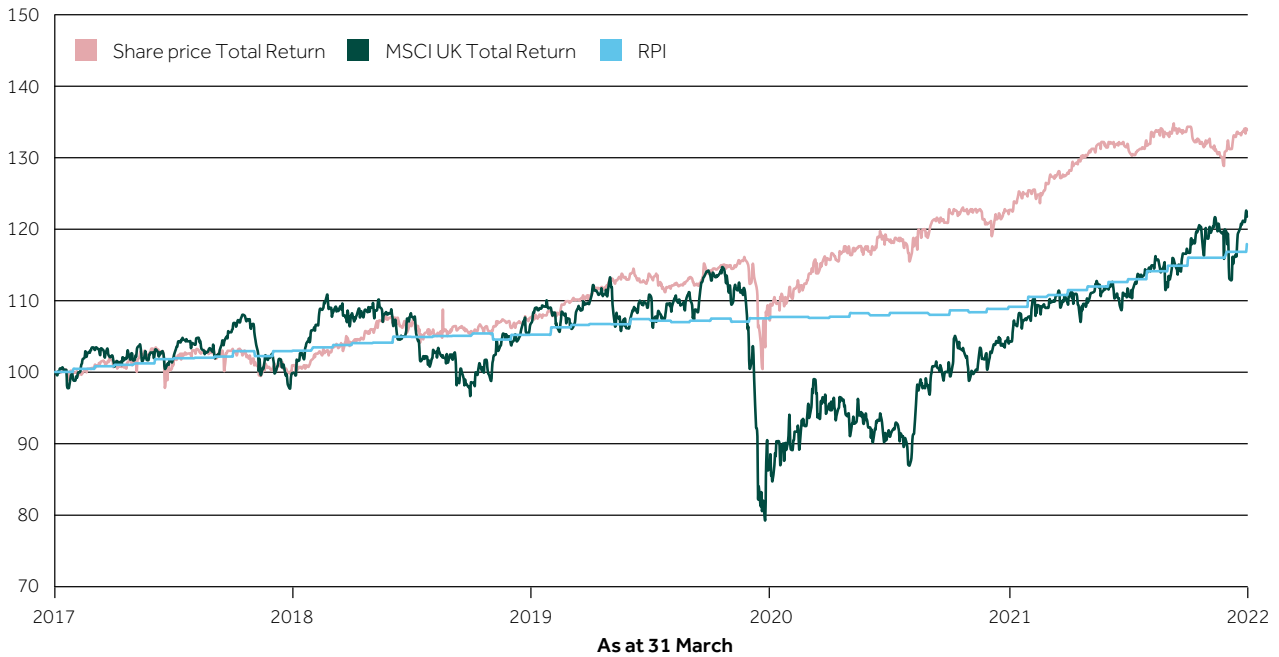
¹ Alternative Performance Measure. Refer to the inside back cover for a glossary of terms and definitions.

Performance

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

Share price total return performance over 5 years to 31 March 2022

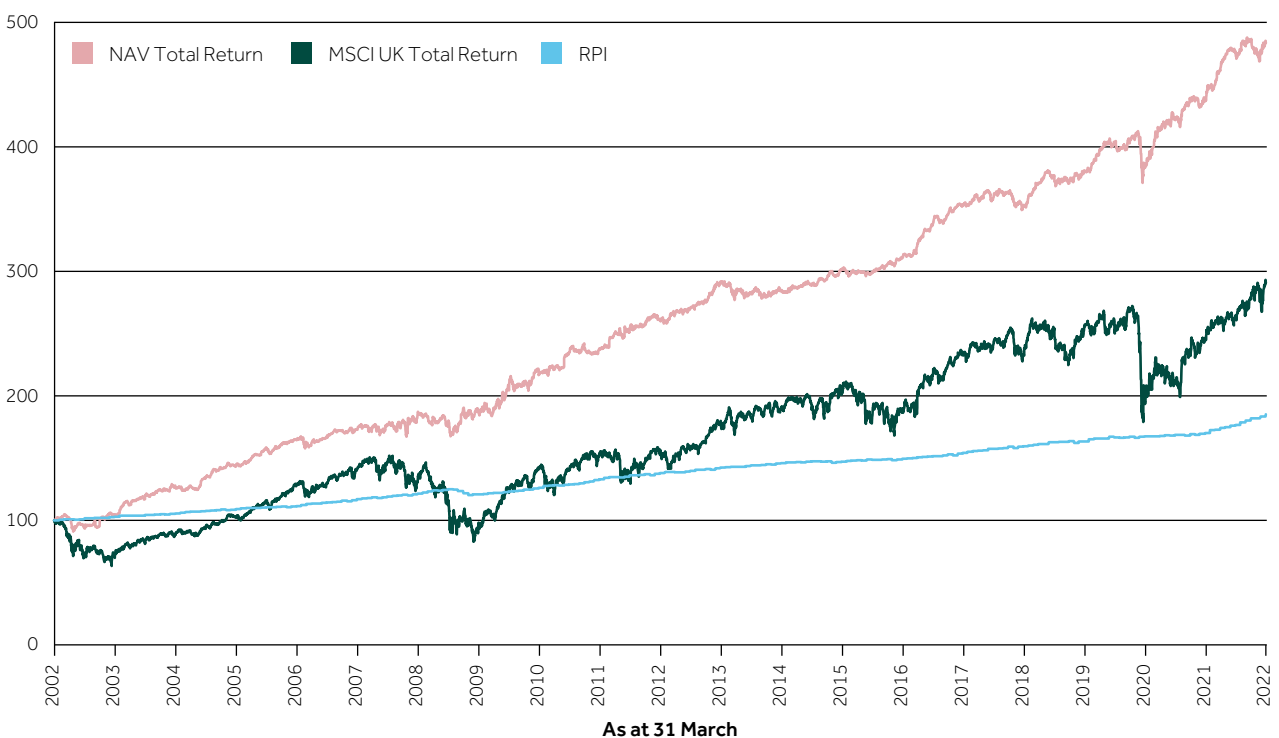
Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past five years, compared with the total return on the MSCI UK Index and RPI*. Each measure is rebased to 100 in 2017.



*Source: CG Asset Management Limited

Net asset value total return performance over 20 years to 31 March 2022

Based on the Company's NAV per Ordinary share, the graph below illustrates the total return to investors in the Company over the past 20-years, compared with the total return on the MSCI UK Index and RPI*. Each measure is rebased to 100 in 2002.



*Source: CG Asset Management Limited

Chairman's Statement

Forty years

Capital Gearing Trust has passed several milestones this year, including its fortieth anniversary under the same investment management team, headed by Peter Spiller.

Over the 40 years from 1982, the Company's primary investment objective has been the same: to preserve shareholders' wealth. It has achieved this objective comfortably, even during challenging market conditions. Only once in the last 40 years has the Company registered a negative annual return, which is a commendable record by any measure.

The Company's secondary objective has been to grow shareholders' real wealth. The Company has provided a compound share price annual return (with dividends reinvested) of 15.1% per annum: another excellent result.

The Company is now a member of the FTSE 250 index, with a market capitalisation of over £1 billion. This follows strong demand for the Company's shares since the introduction of the discount and premium control policy in 2015.

Neither the Investment Manager nor the Board are complacent. Shareholders are likely to be more interested in the future than the past. We remain intensely focused on extending the Company's track record and meeting the ever-changing challenges that investors face. However, it is worth pausing on this fortieth anniversary to congratulate CG Asset Management and Peter Spiller on their achievements and for their consistently good service to the Company.

The past year

The Company's year-end has been changed to 31 March, from 5 April. This month end reporting period sits better with market comparisons and quarterly performance measurement statistics.

As at 31 March 2022, the NAV per share was 5,025p, representing a NAV total return of 10.5% for the slightly foreshortened year. The share price total return over the same period was 10.0%, ending the year with a share price of 5,140p. This is a very satisfactory performance in what has been a 'topsy turvy' market: first very strong, and then significantly weaker as we neared our year end. Whilst the Company does not have a formal benchmark, this performance compares with the equity return from the MSCI UK Index (£) of 18.7%, and inflation, as measured by the UK Retail Price Index (RPI), of 9.0% for the same period.

The main driver of performance over the last year has been the outperformance of both the equity and the bond portions of the portfolio. The percentage of the portfolio in inflation-related assets has increased over the last year. It not only includes government index-linked stocks, but also property and infrastructure exposure, including renewables, with inflation-linked returns. Towards the end of last year, the Investment Manager initiated positions in power and energy plays which performed very well in the first quarter of 2022. To get exposure to some of these asset classes, the Investment Manager has invested in ETFs, alongside direct investments in companies. These investments come under the heading of risk assets, and, along with other equity investments, account for around 44% of the portfolio.

Our Investment Manager continues to believe that conventional equity assets remain overvalued in the main, and hence around 50% of the portfolio is held mainly in government index-linked stocks, with a small proportion in short-dated conventional bonds, preference shares and treasury bills – ready to deploy these funds should markets have a significant fall. There is a small percentage of the portfolio invested in gold and cash, amounting to 6%. When the time is appropriate, these cash equivalent resources will be used to buy into equities at attractive valuations. Buying in at significantly lower valuations has historically made a difference to long term returns for the Company.

Further details on the portfolio, individual share price movements and geographic markets are provided in the report from the Investment Manager and in the Strategic Report.

Earnings and dividends

The revenue return per share, after tax and expenses, for the financial period was 56.81p. This is the fourth year running that we have had an exceptionally strong revenue account. This year it has been driven by higher levels of equity income, in particular from infrastructure and property shares. The Company's portfolio is not managed with any income criteria in mind, but with the payment of dividends being a consequence of meeting the income distribution tests for maintaining investment trust status.

The Board is recommending a dividend of 46p, which compares to a payment of 45p last year. The Board believes that this dividend, which is not a material part of the Company's total return and so recommends this for shareholder approval at the Company's forthcoming AGM.

Chairman's Statement (continued)

Costs

The Board continues to monitor and control the costs of running the Company. The assets of the Company now exceed £1 billion. As a lower investment management fee rate of 0.3% is charged on assets over £500 million, this has a beneficial impact on the overall cost ratios.

The key measure of overall costs is the ongoing charges ratio (OCR), which can be measured in two ways. The OCR measured solely on the costs of running the Company, has declined from 0.58% last year to 0.52% this year. As disclosed in the Key Information Document (KID), when the management costs of the underlying funds in which the Company invests are also taken into account, the OCR is 0.78% as at 31 March 2022 (0.90% as at 5 April 2021).

The Company does not have any substantial marketing or promotional costs. Promotional service costs are largely included in the management fee. We have maintained competitive costs for all our third-party suppliers, not least to try and keep the cost of operating the Company, which does not have any gearing or complex capital structure, as low as we can.

Our secretarial and administration agreement with Juniper Partners has been reviewed in light of the Company's changed circumstances since Juniper Partners assumed the contract in 2015. As a result, the company secretarial fee will be subject to an increase, the costs of operating the DCP will remain the same, and an ad valorem secretarial/administration fee has been introduced to reflect the substantial additional work involved in servicing the Company. Full details of this are given in the Directors' Report. These increased fees do not materially impact on the OCR.

Board matters

Alastair Laing, who was a non-independent member on the Board, stepped down at the last AGM. Along with Peter Spiller and Chris Clothier, we see at least one, and usually more, of the portfolio managers at our Board meetings and benefit from their insightful comments on the markets and stocks, as well as being able to discuss and question them on their investment approach and outlook for the portfolio.

Our Board remains a highly engaged group of four independent, non-executive Directors, each with the requisite skills to oversee the running of the Company on behalf of shareholders. As set out in the remuneration report, there are increases to Board remuneration to bring individual remuneration more in line with the market.

Now that the Company is a member of the FTSE 250 Index, we intend to use an external consultant to provide a Board evaluation to make sure that we measure up to our obligations under corporate governance and regulatory requirements. Later this year, we intend to start the process of recruiting a further Director in order to refresh the Board and to help maintain Board succession and cohesion.

Annual General Meeting

The AGM will be held on Tuesday, 12 July 2022 at 11.00 a.m. The notice convening the fifty-ninth AGM of the Company is set out on pages 68 and 69. Now that Covid-19 restrictions have been lifted, we look forward to welcoming shareholders back in person to the meeting. The AGM will be held at the offices of JPMorgan at 60 Victoria Embankment, London EC4Y 0JP.

Further details on the resolutions can be found on pages 27 and 28 of the Directors' Report.

The Board firmly believes that all the resolutions being proposed are in the best interests of the Company and its shareholders and encourages shareholders to vote by proxy in favour of the resolutions, as the Board intends to do in respect of their own shareholdings. We would encourage shareholders to return their votes by electronic proxy, including by instructing their platform providers to vote on their behalf if their shares as held through platform nominees.

Share issuance and buybacks

The DCP continues to operate effectively and protects and serves shareholders well in providing good liquidity with the shares trading consistently close to NAV, even in more volatile market conditions.

Demand for the Company's shares continues to be strong. We have issued some 7,078,862 shares during the year, raising net proceeds of some £354.3 million – our busiest year of issuance since the DCP commenced. We have not needed to buy back any shares in the last year.

At 31 March 2022, there were 20,891,975 shares in issue and net assets were £1,049.8 million. The Company incurs modest costs for operating the DCP and for renewing shareholder authority from time to time (which has involved publishing a prospectus and convening two general meetings in the last year). Issuance at a premium and buying back at a discount under the DCP more than compensates for costs and is consistently accretive to NAV. The Board estimates that the issuance under the DCP added 0.9% to shareholder total returns over the last financial year.

Chairman's Statement (continued)

The Board continues to monitor the growth of the Company and is satisfied that the significant increase in size has had no adverse impact on the investment strategy or the NAV returns. It is also reassured by the Investment Manager that the growth in assets under their management can be accommodated for some time to come.

Whilst all recent DCP activity has been on issuance, in the event that shareholders were looking to sell stock, we would have no hesitation in operating an equally robust buy-back policy. The successful operation of the DCP has provided greater trading liquidity, a significant reduction in the ongoing charges ratio and NAV enhancement stemming from issuance which has more than covered costs of the DCP's operation over the last six or more years.

Outlook

The Company was formed in 1982 when interest rates were high, and potential returns looked very attractive as stockmarket valuations were low and interest rates were falling. It should come as no surprise to investors to realise that the reverse is now true, with historically low interest rates on the rise, and current stock market valuations making future returns distinctly less attractive.

As our Investment Manager put it in a recent article "prospective returns look lousy for practically everything". Investors are facing rising interest rates, substantially higher inflation, overvalued stocks, along with Central Banks "turning off the taps" which have helped keep asset prices up and economies from going into recession.

That said, stockmarket concerns are overshadowed by the atrocities being perpetrated in Ukraine. Apart from the consequences of attacks on freedom, the economic impacts of the war are being felt throughout the world, with disruption to energy and agricultural supplies and the heightened impact on inflation.

That may sound a very gloomy outlook, but there are always interesting investment ideas and opportunities out there that fit with the Company's investment strategy. The Company holds a lot of near-cash investments, like Treasury Bills, which can be deployed if, and when, markets fall to more attractive levels. Until then, there are inflation-linked assets which will continue to be held to help protect the Company against the worst ravages of inflation. The Company goes into the current year with its risk assets focused on a range of potentially rewarding areas, such as rented accommodation; renewable infrastructure, and energy and materials and commodities plays.

It may not be possible to counteract the current levels of inflation through equity returns in the near term, but I know that CGAM and its team will do its best and will look to beat inflation over a three-to-five-year time horizon. It is certain to be a very challenging year but so too have other years in the past 40 where the Company has weathered well.

Jean Matterson

Chairman

27 May 2022

Investment Manager's Report

Review

During a year that included a notable inflation shock, the Company benefited from its extensive exposure to inflation-linked equities and bonds. Many of the best performing assets were purchased in the aftermath of the Covid-19 bear market of 2020. In those dark days many investors were focused on the risks of deflation and nervous that the pandemic had undermined the prospects for all assets, particularly property. This opened up a buying opportunity in alternative property companies, those in the logistics and residential subsectors ("beds and sheds"). Holdings like Secure Income REIT plc, GCP Student Living plc and Tritax Big Box REIT plc delivered in excess of 30%. That these "tech like" returns were available on such low-risk assets was truly extraordinary.

At its peak, during the first half of the year, our property holdings represented more than 22% of the total portfolio, although by year end, this level was reduced to 16%. Many of our holdings had moved from significant discounts to net asset values onto premia, so most positions were trimmed. Three holdings were exited completely when acquired by other companies. The proceeds of these sales were invested into infrastructure assets, with a particular focus on renewable energy. Unlike property companies, infrastructure had not recovered strongly after the pandemic, many renewable energy companies had derated by as much as 30% from their late 2019 highs. This derating fortuitously coincided with a surge in power prices so provided an attractive entry point. Our infrastructure portfolio, which now represents 7% of our portfolio, delivered 20% returns over the year and still enjoys a strong tailwind. We also increased our broader energy and commodities holdings via sector exchange traded funds which have delivered strong returns since purchase.

Only one meaningful risk asset allocation delivered double digit negative returns: German residential property. There are some crumbs of comfort: this sector has been a fantastic long-term performer for the Company and our one major overweight position, Phoenix Spree Deutschland, returned 16%. Today, German residential stocks collectively offer a beacon of value in a stock market otherwise characterised by elevated valuations.

The most notable area of relative outperformance came from our bond portfolio and again the inflation-linking was key. The wider bond market endured a poor year, with an inflation shock causing a sell off in nominal bonds.

The sterling aggregate bond index delivered -6% and the global aggregate bond index delivered -2% (all returns reported in sterling). Our bond portfolio delivered 8% with the stand out performers being our 21% holding in US Treasury Inflation Protected Securities ("TIPS") which returned 11%. We believe that inflation is likely to remain more sticky than the market is currently forecasting in the year ahead. If so TIPS, and our other inflation-linked bond holdings, are well placed to significantly outperform conventional bonds for another year.

It is pleasing that both the bond and equity portfolios delivered strong absolute and relative outperformance. Looking forward the prospects for broader equity and bond markets remain poor but recent weakness is opening up a range of discount opportunities and the potential for further rotation into areas of value over the next 12 months.

Outlook

As the Company celebrates its fortieth year, it appears that the world economy may be undergoing a major transition. It seems that we are moving from an era of deflationary bias to one with a more inflationary character. The deflationary period started in 1982 when Paul Volcker put in place central banking policies that suppressed the persistent high inflation that had characterised the 1970s. Certainly there was a recession, but companies and households were robust enough for it to be comparatively mild. Disinflation was given a major boost as the number of workers in the capitalist world doubled, due to China's accession to the WTO and the fall of the Berlin Wall. Demographics helped too, with the growing working age population in the West boosted by the increasing participation and improving opportunity for women. Technology, always at the heart of productivity gains, made a particular contribution in easing price discovery through the internet.

The result was that trend bond yields fell throughout the 40-year period, a fabulous background for above normal returns in pretty well all assets. The deflationary impact of globalisation was so powerful that Central Banks could operate with a policy stance so stimulative that many nominal bond yields even went negative without any problematic inflation resulting. Equity valuations, rising on the same waves of stimulus, have reached extraordinary levels.

Investment Manager's Report (continued)

Outlook (continued)

Our situation today is the mirror image of the last 40 years. Globalisation is being rolled back both for reasons of security of supply and the geopolitical risks associated with Russia and China. The just-in-time worldwide model of manufacturing is fading. Furthermore, there are no realistic candidates for any equivalent increases in the workforce of the capitalist economy from elsewhere. Manufacturing closer to home will be more secure, but also more expensive. The consequence will be wider than just goods; the bargaining power of labour is being at least partially restored.

The scale of investment required to achieve net zero is also likely to maintain inflationary pressures. Not least through higher commodity prices as demand for natural resources for infrastructure renewal meets the constrained supply of metals and minerals due to low levels of capital expenditure in recent years.

The greatest imbalance that has developed over the last 40 years has been the extraordinary increase in debt that has been encouraged by abnormally low interest rates. History suggests that the only way to reduce the burden of excessive debt that does not risk a depression is to engage in financial repression; elevated inflation with moderate nominal rates. An extended period of financial repression is likely to cause some shocks but in time will bring debt into better balance.

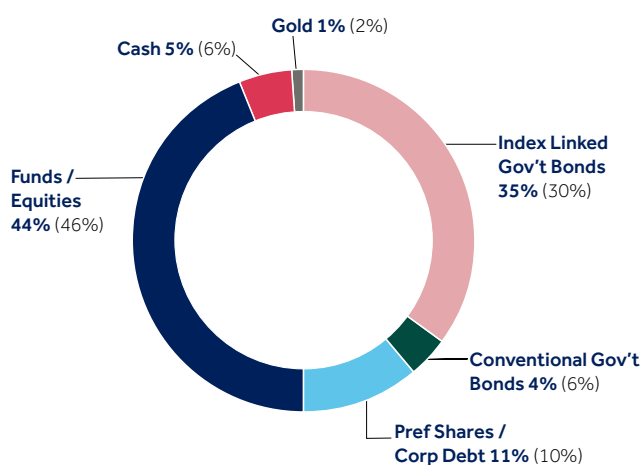
Our main objective is to keep shareholders' capital whole during this period of repression, which with luck will end with an environment similar to 1982. That is to say, inflation and interest rates high but falling, p/e ratios low and rising and debt no longer alarming. That would be a great environment from which to deliver the types of returns that shareholders of Capital Gearing Trust have enjoyed over the last 40 years.

Peter Spiller Alastair Laing Christopher Clothier

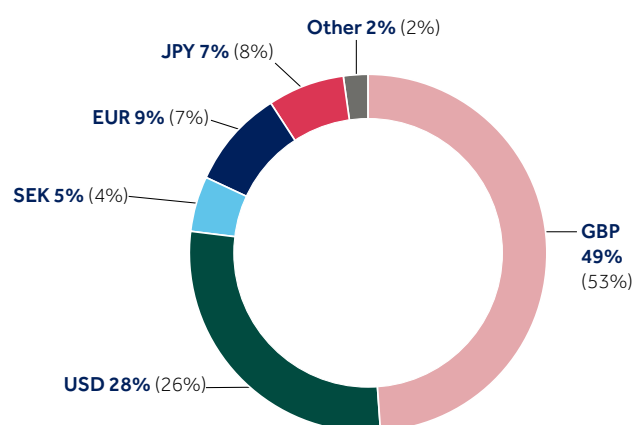
27 May 2022

Portfolio Analysis

Asset Allocation 2022 (2021)



Currency Exposure 2022 (2021)



Portfolio Investments

	2022 £'000	2021 £'000
Index-Linked Government Bonds		
Index-Linked Bonds – United States	226,600	131,754
Index-Linked Bonds – United Kingdom	75,146	21,660
Index-Linked Bonds – Japan	27,321	20,189
Index-Linked Bonds – Sweden	26,880	12,737
Index-Linked Bonds – Germany	4,900	–
Index-Linked Bonds – Australia	3,871	2,500
	364,718	188,840
Conventional Government Bonds		
Conventional Government Bond – United Kingdom	40,589	38,997
	40,589	38,997

Portfolio Investments (continued)

	2022 £'000	2021 £'000
Zero Dividend Preference Shares		
NB Private Equity 2022	5,060	3,553
JZ Capital Partners 2022	3,450	1,647
Polar Capital 2024	2,204	1,348
Aberforth Split Level Income 2024	2,144	831
NB Private Equity Partners 2024	1,869	1,110
Chelverton Smaller Companies ZDP 2025	1,851	464
EPE Special Opportunities 2049	1,751	–
Investments with a market value below £1,500,000	4,086	2,030
Acorn Income Fund 2022	–	2,455
RM Infrastructure Income	–	1,858
	22,415	15,296
Corporate Debt		
Tesco 3.322% 2025	4,484	854
Severn Trent 1.3% 2022	4,361	3,407
Unite (USAF) 3.374% 2028	3,887	1,386
LVMH MOHE 1% 2023	3,871	–
A2D Fund 4.75% 2022	3,725	1,627
Sydney Airport Finance Company 3.12% 2030	3,560	–
Highbury Finance 7.017% 2023	3,441	–
Bruntwood Investments 6.0% 2025	3,403	1,947
Aberdeen Asian Smaller Companies 2.25% 2025	3,268	2,844
British Telecom 3.65% 2025	3,232	–
Heathrow Funding 5.225% 2023	3,175	–
Burford Capital 5.0% 2026	3,132	1,142
Burford Capital 6.5% 2022	3,123	3,060
MPT Operating Partnership 2.55% 2023	2,969	2,030
Burford Capital 6.125% 2024	2,779	2,751
EDF 6.875% 2022	2,586	–
Housing Finance Corp 8.625% 2023	2,575	–
Mercedes Benz 1.25% 2022	2,497	–
Burford Capital 6.125% 2025	2,405	2,371
REA Finance B.V. 8.75% 2020	2,300	468
Eon 5.625% 2023	2,107	–
GKN Holdings 5.375% 2022	2,024	–
Western Power 5.25% 2023	1,639	–
SSE plc 5.875% 2022	1,632	–
National Grid 4.1875% 2022	1,559	1,407
Northumbrian Water 6.875% 2023	1,559	–
Investments with a market value below £1,500,000	15,593	9,936
Pershing Square 5.5% 2022	–	4,963
National Grid 1.25% 2021	–	3,149
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	–	2,518
Places for People Capital Markets 1% 2022	–	2,393
SSE Plc 4.25% 2021	–	1,525
	90,886	49,778

Portfolio Investments (continued)

	2022 £'000	2021 £'000
Funds/Equities		
iShares MSCI Japan ESG Screened UCITS ETF	37,753	–
Vonovia	25,652	19,461
Grainger	20,677	12,485
SPDR MSCI Europe (Lon) Energy UCITS ETF C	18,427	–
North Atlantic Smaller Companies Investment Trust	16,302	13,260
Secure Income REIT	15,551	13,395
Greencoat UK Wind	13,047	4,104
iShares Core FTSE 100 ETF	12,721	10,320
PRS REIT	11,515	4,807
Lyxor STOXX Europe 600 Basic Resources UCITS ETF-Acc	10,840	–
Digital 9 Infrastructure	10,092	–
Tritax Eurobox	9,234	6,168
GCP Infrastructure Investments	8,825	3,278
Target Healthcare REIT	8,578	5,538
Residential Secure Income	7,425	4,922
Nextenergy Solar Fund	7,138	1,947
Aker Asa	7,104	–
Empiric Student Property	6,860	5,463
LXI REIT	6,473	2,242
iShares S&P 500 Energy Sector UCITS ETF	6,328	–
Foresight Solar Fund	6,200	–
Taylor Maritime Investments	6,130	–
Aberdeen Standard European Logistics Income	5,923	2,170
Phoenix Spree Deutschland	5,906	6,445
Vanguard FTSE 100 UCITS ETF	5,767	12,326
Troy Income and Growth Trust	5,599	–
Leg Immobilien	5,596	5,029
Finsbury Growth & Income Trust	5,492	–
Aquila Renewables	5,259	1,636
Triple Point Social Housing REIT	5,124	2,565
Biopharma Credit	4,933	1,976
Pershing Square	4,903	2,384
Investor AB	4,852	5,549
Greencoat Renewables	4,816	–
Castellum	4,783	3,681
iShares MSCI USA ESG Screened UCITS ETF	4,396	–
Advance Residence Investment Corporation	4,378	–
Bluefield Solar Income Fund	4,244	–
Civitas Social Housing	4,233	5,366
Impact Healthcare REIT	4,217	1,907
iShares MSCI EM Asia UCITS ETF	4,174	–
Securities Trust of Scotland	3,995	514
Cordiant Digital Infrastructure	3,935	1,452
The Renewables Infrastructure Group	3,713	57
Aberforth Split Level Income Trust	3,381	–
CLS Holdings	3,339	1,928
Sequoia Economic Infrastructure Income Fund	3,131	1,602
Downing Renewables & Infrastructure Trust	2,990	931
Atrium Ljungberg AB	2,935	1,686
Octopus Renewables Infrastructure Trust	2,869	–
Miton UK Microcap Trust	2,799	1,793
BMO Global Smaller Companies	2,748	2,438
JLEN Environmental Assets	2,605	–
Tufton Oceanic Assets	2,525	–
BMO Private Equity Trust	2,436	–
Starwood European Real Estate Finance	2,404	–

Portfolio Investments (continued)

	2022 £'000	2021 £'000
Funds/Equities		
Grand City Properties	2,380	1,879
Oryx International Growth Fund	2,242	3,835
Nippon Accommodations Fund	2,216	–
RIT Capital Partners	2,005	2,335
Fidelity Emerging Markets	1,983	–
Aberdeen Diversified Income & Growth Trust	1,954	1,622
Warehouse REIT	1,866	1,407
iShares Edge MSCI USA Value Factor UCITS ETF	1,753	–
River and Mercantile UK Micro Cap Investment Company	1,663	–
Vanguard FTSE Developed Asia Pacific ex Japan	1,646	–
Weiss Korea Opportunity Fund	1,632	3,720
Polar Capital Global Healthcare	1,602	1,319
Ground Rents Income Fund	1,578	1,754
Daiwa Securities Living Investment Corporation	1,576	–
Crystal Amber Fund	1,567	1,193
Investments with a market value below £1,500,000	19,202	18,779
Vanguard FTSE Japan UCITS ETF	–	29,863
GCP Student Living	–	9,845
Tritax Big Box REIT	–	6,910
Vanguard FTSE 250 UCITS ETF	–	5,580
Gabelli Value Plus Trust	–	5,252
JP Morgan Multi Asset	–	3,305
Supermarket Income REIT	–	3,268
Kungsleden	–	2,688
ADO Properties	–	2,591
Jupiter Emerging & Frontier Income	–	2,480
Deutsche Wohnen	–	2,288
Urban Logistics REIT	–	2,281
SQN Asset Finance C Shares	–	1,868
International Public Partnerships	–	1,666
ICG-Longbow Senior Secured UK Property Debt	–	1,635
	460,137	290,188
Gold		
Wisdomtree Physical Swiss Gold	13,148	11,131
	13,148	11,131
Total Investments	991,893	594,230
Cash	50,611	37,242
Total	1,042,504	631,472

The full portfolio listing of the Company as at 31 March 2022 is published on its website at www.capitalgearingtrust.com.

The Board

The Board members are all experienced Directors who work closely with Juniper Partners and CGAM in the day to day operations of the Company. Apart from the scheduled Board meetings, the Board is in regular contact on matters arising and all of the Board have demonstrated sufficient commitment and experience to carry out their responsibilities.

Non-executive Directors

Jean Matterson (Chairman)

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

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

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

Wendy Colquhoun (Chairman of the Remuneration Committee)

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

Paul Yates

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

Management and Administration

Investment Manager

CG Asset Management Limited

20 King Street, London, EC2V 8EG
Telephone: 020 3906 1633

Established in 2000. CGAM currently has total funds under management of £3.9 billion.

Depositary, Custodian and Banker

The Northern Trust Company

50 Bank Street, Canary Wharf, London E14 5NT

Company Secretary and Administrator

Juniper Partners Limited

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

Registered office

Carson McDowell LLP

Murray House, Murray Street, Belfast BT1 6DN

Registered number

NI005574

AIC

Association of Investment Companies

www.theaic.co.uk

Registrar

Computershare Investor Services PLC

The Pavilions, Bridgwater Road, Bristol BS13 8AE
Telephone: 0370 873 5864

Independent auditors

BDO LLP

55 Baker Street, London W1U 7EU

Corporate stockbroker

JP Morgan Cazenove

25 Bank Street, Canary Wharf, London E14 5JP

Strategic Review

Business model and investment strategy

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

The Company has no employees, and the Board outsources its entire operational infrastructure to third party organisations. In particular, the Board appoints and oversees CG Asset Management, an independent Investment Manager, to manage the investment portfolio. CG Asset Management also acts as the Company's Alternative Investment Fund Manager. The Board sets the Company's strategy, decides the appropriate financial policies to manage the assets of the Company, ensures compliance with tax, legal and regulatory requirements and reports regularly to shareholders on the Company's performance. The Directors do not envisage any change to this model in the foreseeable future. The Company also appoints an Administrator, Juniper Partners (formerly PATAC Limited) to provide administration services for the Company, which includes company secretarial, accounting and management of discount and premium control services.

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

Objective

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

Investment policy

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

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

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

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

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

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

Promoting the success of the Company under Section 172

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial period under section 172 of the Companies Act 2006 (the "Section 172 Statement"). This requires an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long-term consequences of decisions, the need to foster relationships with all stakeholders in the Company and the impact of the Company's operations on the environment.

Strategic Review (continued)

Role of the Board

The Board currently comprises four independent non-executive Directors who have a broad range of skills and experience across all major functions that affect the Company. The Board has responsibility for decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's various service providers. Gender and diversity disclosure can be found on page 32

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

How the Board engages with stakeholders

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

Stakeholder	How we engage
<p>Shareholders</p>	<p>Shareholders are key stakeholders and the Board places great importance on communication with them, both through written communication from the Company and interaction with the Investment Manager. The Board welcomes all shareholders' views and aims to act fairly between shareholders. The Company's shareholder register is retail investor dominated and has wealth managers and private client brokers on it representing private investors. As a constituent of the FTSE-250 Index, the Company also has index tracking investors. The Investment Manager and Company's broker regularly meet with current and prospective shareholders to discuss the Company, its performance and outlook. The Chairman is available to talk directly with shareholders. Shareholder feedback is discussed by the Directors at Board meetings. The Board is kept apprised of changes to the share register and the Investment Manager is in contact with investor platforms to identify how best to communicate with the direct retail investor community. The operation of the DCP is crucial to providing secondary market liquidity for investors and in providing stability of pricing at close to the prevailing net asset value.</p> <p>Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, announcements, including daily net asset value announcements, and the Company's website. The Investment Manager prepares monthly factsheets and quarterly reports and maintains a website which includes current information for investors.</p> <p>The Company's Annual General Meeting typically provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager. The Board encourages as many shareholders as possible to attend the Annual General Meeting and to provide feedback on the Company. The Company Secretary also deals with regular shareholder queries on behalf of the Board. The Board encourages shareholders to vote on all Company business, which includes specific exercises to obtain votes for general meetings to maintain issuance authorities if they become exhausted between annual general meetings.</p>
<p>Investment Manager</p>	<p>The Investment Manager's Report on pages 7 and 8 details the key investment decisions taken during the period. The Investment Manager has continued to manage the Company's assets in accordance with the Company's investment policy, with the oversight of the Board. The Investment Manager is represented and attends all formal Board meetings.</p> <p>The Board reviews regularly the Company's performance against the investment objective and the application of its investment policy and restrictions. The Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders.</p> <p>The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy in operation.</p> <p>The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager at least annually. Risks and emerging risks are considered at each Board meeting.</p>

Strategic Review (continued)

Stakeholder	How we engage
Communities and the environment	The Board supports the Investment Manager on ESG matters in line with good stewardship practices, and an approach agreed with the Board. The Board is also acutely aware of the importance of providing an investment product which meets the needs of its investors in both protecting and growing value over time. The Board takes appropriate account of broader ESG concerns and for the Company to act as a good 'corporate citizen'. An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates, not least as a means for financial planning and saving. See the ESG/engagement section on pages 20 to 23.
Other Service Providers	<p>The Board seeks to maintain constructive relationships with all of the Company's suppliers either directly or through the Investment Manager with regular communications and meetings. A key relationship is with Juniper Partners who provide company secretarial, administration and accounting services, as well as operating the DCP. The Board is in continued direct contact with Juniper Partners. During the year the Board completed a comprehensive review of the service provision from Juniper Partners and the fee basis for their services.</p> <p>The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations and providing value for money.</p>

Specific examples of stakeholder consideration during the period

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

Since the Covid-19 pandemic emerged in early 2020, there has been increased interaction with the Investment Manager, the Company Secretary and other agents of the Company to ensure that the Company continues to have sufficient resilience in its portfolio and in its operational structure to meet the challenging circumstances. This included a complete review of the service provision from Juniper Partners.

Jean Matterson, together with representatives of the Investment Manager, met a number of share dealing platform providers to gather views on the performance and general operation of the Company, including the DCP. This information was reported to the rest of the Board and is an important part of the annual strategic review on how the Company is operating. The Investment Manager also held an Investor Day in September 2021, which was well attended by shareholders and potential investors.

The operation of the DCP is a fundamental part of the Company's operating structure. It offers liquidity in the secondary market close to the prevailing net asset value and the removal of pricing volatility around net asset value either when selling or buying shares in the Company. Ensuring that the DCP continues to operate effectively requires constant monitoring, maintaining the requisite authorities in place, and having sufficient liquidity in the portfolio. The Board, together with Juniper Partners, is responsible for maintaining the operational resilience for both buyback and issuance. The Company held general meetings on 4 November 2021 and 25 April 2022 to request renewed shareholder authority to issue additional shares on a non pre-emptive basis. Shareholders were very supportive of the resolutions proposed both in the percentage voting in favour of the resolutions and the proportion of shares voted overall.

The Board has engaged with the industry body, the AIC, on matters which impact on the operations of the Company, with one of the key areas being the ability to access private investors with their shares held through investor platforms and the ability to encourage those shareholders to vote on Company business.

Strategic Review (continued)

Management of the portfolio and agents to the Company

The Investment Manager's Report on pages 7 and 8 details the key investment decisions taken during the period ended 31 March 2022. The overall diversified shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective.

As explained in more detail on page 26, during the period, the Management Engagement Committee decided that the continuing appointment of the Investment Manager was in the best interests of shareholders. A similar conclusion was reached on the continued appointment of the Company's other service providers and there were no changes during the period. The administration arrangements with Juniper Partners, including the administration fees, were re-negotiated during the year to reflect the increase in the total assets of the Company since the Administrator was first appointed and the service levels required for the Company and its various activities.

Key performance indicators ("KPIs")

The Board monitors KPI indices and ratios for the purpose of assessing and reporting investment performance and these are discussed further in the Chairman's Statement. The Board monitors the performance of the Investment Manager against RPI over the short-term (3 years) and the MSCI UK Index over the longer-term (10 years). Further information on these measures can be found on pages 74 and 75.

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

In addition, the Board monitors the following KPIs:

- Share price premium/discount to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back or issued. At the start of the period under review the premium to NAV was 2.7%, compared with 2.3% at 31 March 2022, with an average of 3.0% for the period ended 31 March 2022; and

- Ongoing charges ratio ("OCR"), calculated using the methodology recommended by the Association of Investment Companies which enables the Board to measure and monitor the control of costs. This was 0.52% for the period to 31 March 2022 (2021: 0.58%). Since the introduction of the DCP in 2015 the Companies OCR has fallen by 46% from 0.96% to 0.52%. Further information can be found on page 75.

Principal and emerging risks

The world has been subject to the most extraordinary challenges, largely as a result of the Covid-19 virus which has affected most parts of the world bringing medical, social, economic and financial crises. It is impossible to quantify the extent of damage that may be wrought over the longer term and the emerging risks that will be faced for the Company, not least the economic impact. The central aims remain to preserve value in the Company's portfolio and liquidity in the Company's shares. These aims were achieved in the last 12 months. The Directors are also trying to ensure that the Company maintains its investment strategy, has operational resilience, meets its regulatory requirements as an investment trust and navigates the financial and economic circumstances in these continuing uncertain times.

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties facing the Company, together with the mitigating actions the Board takes, are set out in the table below.

Strategic Review (continued)

Apart from the ongoing impact of the Covid-19 pandemic, the Company also faces heightened risks of rising inflation and more recently the geopolitical risks of events such as the invasion of Ukraine. It is difficult to assess how these exogenous risks will impact the Company, but it does introduce both caution on returns that might be achieved in the future with inflationary impact on equity and bond returns and the risk of market shocks caused by geopolitical risk. The Investment Manager continues to apply protective measures in constructing the portfolio but is also aware that an 'oversold market' can present opportunities as well and it retains liquidity in the portfolio to exploit this if it can.

Risk	Mitigation
<p>Investment strategy and performance</p> <p>The Board is responsible for setting the investment strategy of the Company and monitoring investment performance. Inappropriate strategy and/or poor investment performance may have an adverse effect on shareholder returns.</p> <p>There is increasing awareness of the challenges and emerging risks posed by climate change. The investment process considers ESG factors, as set out in the Strategic Review. Overall the specific potential effects of climate change are difficult, if not impossible, to predict and the Board and Investment Manager will continue to monitor developments in this area.</p> <p>Geopolitical risks have always been part of the investment process. The risk has heightened as a result of the Russian invasion of Ukraine, with the resultant effects on global trade posed by supply issues, higher levels of inflation and volatility in stockmarkets.</p> <p> Increased overall risk due to rising inflation, supply issues and heightened global political tensions</p>	<p>The Company's strategy is formally reviewed by the Board at least annually, considering investment performance, shareholder views, developments in the marketplace and the structure of the Company.</p> <p>Investment performance is reviewed by the Board on a regular basis against RPI and the MSCI UK Index. The composition of the portfolio is provided at each Board meeting and allows the monitoring of the spread of investments and associated investment risks. The Investment Manager's approach to ESG is set out on pages 20 to 23. Stock selection, portfolio composition and liquidity are explained in detail by the Investment Manager at each meeting.</p> <p>The Investment Manager is formally appraised at least annually by the Management Engagement Committee.</p>
<p>Premium/discount level</p> <p>The Company's share price could be impacted by a range of factors causing it to be higher than (at a premium to) or lower than (at a discount to) the underlying NAV per share.</p> <p>Excessive demand for, or supply of, shares can create liquidity issues, restricting the ability of investors to buy and sell shares in the secondary market.</p> <p>Fluctuations in the share price can cause volatility which may not be reflective of the underlying investment portfolio.</p> <p> Risk remains relatively unchanged</p>	<p>The Company operates a discount/premium control policy, under which it will aim to purchase or issue shares to ensure, in normal market conditions, that the shares trade close to their underlying NAV per share. The DCP increases liquidity and reduces volatility by preventing the build-up of excessive demand and/or supply for the Company's shares which, the Board believes, is in the best interests of shareholders. The DCP continues to be reviewed to ensure liquidity for issuance and buyback.</p> <p>The levels of issuance/buyback of shares are reported to the Board on an ongoing basis and at each Board meeting the Board considers the Investment Manager's ability to invest new proceeds (in the case of issuance) and maintain sufficient liquidity (in the case of buybacks) to meet the demands of the DCP.</p> <p>The Company Secretary monitors the relevant authority levels, which are regularly reported to the Board, to maintain, as far as possible, uninterrupted operation of the DCP.</p>

Strategic Review (continued)

Risk	Mitigation
<p>Operational</p> <p>The Company is reliant on third-party service providers including CGAM as Investment Manager, Juniper Partners as Company Secretary and administrator and Northern Trust as custodian and key teams at such service providers. Failure of the internal control systems of these third parties could result in inaccurate information being reported or risk to the Company's assets.</p> <p> Risk remains relatively unchanged</p>	<p>The Audit Committee formally reviews each service provider at least annually, considering their reports on internal controls and the resources available to them. The Management Engagement Committee reviews the service levels and how the service providers have performed.</p> <p>The operational requirements of the Company, including from its service providers, have been subject to rigorous testing as to their application during the Covid-19 pandemic, where increased use of out of office working and online communication were required. To date the operational arrangements have proven robust.</p> <p>Further details of the Company's internal control and risk management system is provided on pages 33 and 34.</p>
<p>Regulatory and governance</p> <p>The Company operates in a regulatory environment. Failure to comply with section 1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange.</p> <p> Risk remains relatively unchanged</p>	<p>Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board also takes into account increasing governance requirements and complies with them wherever practical or explains why there is any divergence.</p> <p>The Board monitors changes in the regulatory environment and receives regulatory updates from the Investment Manager, Company Secretary, lawyers and auditors as relevant.</p> <p>The Board is apprised of corporate governance issues and changes and as far as practical the Company complies with governance guidance or explains where it does not and meets the guidance of the AIC Code (refer to page 30).</p>
<p>Financial and economic</p> <p>The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates and credit which could cause losses to the investment portfolio.</p> <p> Risk has been heightened by inflationary increases and geopolitical events, including the invasion of Ukraine</p>	<p>The Board regularly reviews and monitors the management of market risk, interest rate risk, foreign currency risk and credit risk. These are explained in detail in note 14 to the financial statements on pages 61 to 67. Inflation, and geopolitical risks, are considered a component of market risk, with the impact of inflation and events in Ukraine taken into account. The ongoing economic impact of the Covid-19 pandemic is also considered.</p> <p>The Company has sufficient cash resources and liquidity in its portfolio to meet its operating requirements, including the operation of DCP. In common with most commercial operations, there are always exogenous risks and consequences, which are difficult to predict and plan for in advance. The Company does what it can to address these risks when they emerge, not least operationally and in trying to meet its investment objective.</p>

Share issuance

During the period the Company issued 7,078,862 new shares for an aggregate consideration of £354.3m. The shares were issued to satisfy investor demand and were issued at a premium to the NAV thereby covering the costs of the DCP, costs of investing the proceeds and to provide some accretion to the NAV per share. All shares were issued in accordance with the DCP, which is detailed further on page 19. Since the year end, the Company has issued a further 1,623,195 new shares.

ESG and the investment process

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

Strategic Review (continued)

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

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

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

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

The Investment Manager's investment approach to ESG

1. Be honest

No greenwashing, no PR-led initiatives, no jargon.

2. One firm, one rule

CGAM does not have an ethical fund range (and by implication an unethical fund range). The standards apply to all the funds it manages.

3. Ethics, not mathematics

Securing appropriate data is essential to all aspects of investment decision making, including judgements around sustainability. However, data has to be interpreted within a specific context. There is no formula that can be applied in a uniform way to every situation; CGAM emphasises judgement over simplistic third-party quantitative scoring.

4. Engagement over disinvestment

When investors have the influence to effect change it is most valuable to encourage positive transition rather than pursuing disinvestment.

5. Targeted, not scatter-shot

Whilst supporting positive transition might be the optimal strategy, effective engagement is time consuming. As a small firm, CGAM focuses its efforts where it will have the most impact rather than taking a generalist approach.

6. Driven by governance

Improved governance leads to improved social, environmental and financial outcomes. Investors have multiple direct mechanisms to influence governance, so CGAM's engagement activities invariably focus on governance, even when the ultimate objective is positive social or environmental change.

7. Integration, not separation

CGAM's entire team is collectively responsible for stewardship activities with the ultimate responsibility lying with the chief executive. It does not have a standalone Responsible Investment Team or ESG analysts as this does not appear to represent true integration of approach.

Strategic Review (continued)

CGAM's ESG approach to the Company's investments by asset class

1. Direct government securities

A significant minority of the assets held by the Company are invested in direct holdings of securities issued by governments including bonds, bills and cash. As CGAM's capacity to influence governments is extremely limited, its primary approach is to exclude sovereigns that do not maintain high ESG standards. In order to help assess these criteria, CGAM considers indices compiled by a range of Non-Governmental Organisations (refer to the table below) and requires sovereigns, at a minimum, to achieve strong rankings in at least four out of five of these criteria. In addition to using third party indices, CGAM also overlays its own subjective assessments, which typically leads to material additional exclusions.

Index	Criteria
World Bank governance effectiveness index	Top quartile
World press freedom index	Good or satisfactory
Global freedom score	Free rating
UN Human development index	Very high human development rank
Net zero by 2050 statement	Statement of intent by 2050 or earlier

2. Direct corporate credit and preference shares

The Company holds small quantities of direct credit and preference share holdings issued by corporate issuers. Given CGAM's small participation in the market and therefore limited influence, CGAM's primary approach is to exclude corporate issuers who are primarily engaged in the following activities:

Exclusion area	Exclusion sub-area	Threshold
Controversial weapons	Anti-personnel mines, cluster munitions, chemical weapons	0%
Tobacco	Manufacture or marketing	<5%
Thermal Coal	Coal mining or coal-based energy production	<5%
Oil sands or arctic drilling	Production	<5%
Gambling	Services	<5%
Adult entertainment	Production or broadcasting	<5%
Firearms	Manufacture	<5%
Predatory lending	Services	<5%

CGAM does not invest directly in companies with primary activities in the above areas, although it cannot always identify immaterial non-core activities. As a result, CGAM employs a revenue threshold in certain areas.

3. Listed closed-ended funds, investment trust REITs and property companies

CGAM has a long history of active engagement in the London market for listed closed ended funds and other collective investment companies including REITs. In this priority area for engagement, CGAM seeks to achieve positive transition so does not employ systematic exclusions. Listed investment companies are fundamentally different to operating companies and typically have the following features:

- they hold a broad portfolio of securities on behalf of their shareholders;
- external investment managers, rather than executive management teams;
- no employees or customers; and
- have a board of directors to represent shareholder interests and concerns.

Strategic Review (continued)

Given the prominent role that directors play in investment companies, CGAM frequently undertakes activities that aim to influence boards and ultimately improve governance. The techniques employed vary based on the specific scenario but include those listed in the table below. As well as engagement in the sector, CGAM places particular weight on providing primary capital to high impact investment companies with an environmental or social focus. In its assessment, by providing primary capital, via IPO sponsorship or follow-on fund raisings, investors have a greater impact than by simply trading securities in the secondary market.

Activist engagement technique	Frequency of employment
Management Engagement	Continuous
Board Engagement	Continuous
Shareholder co-ordination	Frequent
Voting against significant resolutions	Frequent
Raising ESG matters in fund reporting	Frequent
Amplification through press engagement	Periodic
Replacing directors to improve governance	Periodic
Publishing open letters	Periodic
Publishing research incorporating ESG views	Periodic
Threatening to requisition meetings	Periodic

4. Exchange traded funds ('ETFs')

The Company holds exchange traded funds. ETFs are listed collective funds which typically track an index and provide low cost, efficient access to a broad portfolio of securities. CGAM does engage directly with its approved panel of ETF providers to encourage improved stewardship standards. Typically, this is via ESG screened ETFs which is a dynamic and growing sector. The programme of identifying and conducting due diligence on these products is ongoing.

Going concern

The Audit Committee has undertaken an assessment of whether the Company is a going concern. The Company's investment objective and business activities, together with the main factors likely to affect its future development and performance, are described above. The financial position of the Company, including its cash flows and liquidity positions, is set out in detail in the financial statements. Note 14 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to market price, interest rates, foreign currency, credit and liquidity risk. The Board works closely with the Investment Manager and the Company Secretary to ensure that the Company's operations are resilient, and its portfolio robust enough to meet challenges and opportunities. The Directors believe that the Company is well placed to manage its business risks successfully and consider that the Company currently has adequate

resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence, including meeting the provisions of the DCP. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements. The Directors do not consider that there are any material uncertainties to the Company's ability to continue to adopt this approach over a period of 12 months from the date of approval of these financial statements.

Viability statement

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a matrix of the risks facing the Company and has put in place appropriate processes and controls in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to manage these, are detailed on pages 19 and 20.

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

Strategic Review (continued)

The Directors also take into account the liquidity of the portfolio and scenario stress testing when considering the viability of the Company over the next three years and its ability to meet liabilities as they fall due and to fulfil the ongoing operation of the DCP. The stress tests examined downside scenarios which combined a substantial fall in stockmarkets, and therefore asset values, with a considerable loss of income. The impact of such severe scenarios are then mitigated by a significant reduction in management fees and most expenses. The results of the stress testing indicated that there was sufficient portfolio liquidity and net income for the Company to continue in operation. The stress tests also examined the operation of the DCP in the event of the Company having to buy back a substantial number of shares.

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

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

The Board's Strategic Report contained on pages 4 to 24 have been approved by the Board and signed on its behalf by:

Jean Matterson

Chairman

27 May 2022

Directors' Report

The Directors present their report and financial statements of Capital Gearing Trust P.L.C. for the period ended 31 March 2022.

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. The Company will continue to conduct its affairs as an investment trust. The Company does not fall within the definition of a 'close company' under the CT Act.

Revenue and dividend

The net return attributable to shareholders for the financial period to 31 March 2022 was £9,813,000 (Year to 5 April 2021: £6,330,000).

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

The Board recommends the payment of a dividend of 46p per share for the period ended 31 March 2022, (2021: 45p) for approval by shareholders at the forthcoming Annual General Meeting. The dividend will be payable on 15 July 2022 to shareholders on the register of members on 10 June 2022, the associated ex-dividend date being 9 June 2022. Under FRS 102, final dividends should not be accrued in the financial statements unless they are approved by shareholders before the balance sheet date. As such, the amount recognised in the 2022 financial statements comprises the 2021 final dividend.

Net asset value per share

The net asset value per share of the Company as at 31 March 2022 was 5,025.1p, compared with 4,590.2p as at 5 April 2021.

The financial position of the Company is set out in detail in the financial statements. Note 14 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial investments and its exposure to market price, interest rates, foreign currency, credit and liquidity risk.

Share capital

The Company's share capital comprises Ordinary shares of 25p each nominal value. The voting rights of the shares on a poll are one vote for each share held. As at 31 March 2022, 20,891,975 shares were in issue (5 April

2021: 13,813,113) and no shares were held in treasury (5 April 2021: nil).

As at the date of this report, the issued share capital consisted of 22,515,170 shares and no shares were held in treasury. Whilst shares are held in treasury, no dividends are paid on them and they have no voting rights.

Substantial shareholders

At 31 March 2022, the Board received notifications of the following interest in the voting rights of the Company:

Notified interests	% of Issued share capital held
LGT Vestra	7.1%

Since 31 March 2022 to the date of this report, the Company has been informed that JM Finn & Co is interested in 5.0% of the issued share capital. In addition to the above, as at 31 March 2022 directors and employees of CGAM were interested in shares representing 2.2% of the issued share capital.

Management and contracts

Investment Manager

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

CGAM was appointed as the Company's AIFM in November 2017.

The Investment Manager operates under the investment policy and guidelines drawn up by the Board as detailed on page 15. Any proposed deviation from these guidelines is required to be discussed with and agreed by the Board or by the Chairman where authority is required between Board meetings. In addition, the Investment Manager presents a report at each Board meeting detailing compliance with the policy during the preceding quarter and outlining any instances where approval for investment decisions was sought from either the Board or the Chairman.

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

Directors' Report (continued)

Performance, evaluation and the continuing appointment of the Investment Manager

The Directors held detailed reviews into the investment strategy adopted by the Investment Manager at the Committee meeting on 23 May 2022. The performance of the Investment Manager during the period to 31 March 2022 and the contractual arrangements with the Investment Manager were discussed at this meeting. The Investment Manager was not present during the course of the Board discussions.

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

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

Based on investment performance over the period to 31 March 2022, the Directors concluded that the continuing appointment of the Investment Manager on the existing terms is in the best interests of the shareholders as a whole.

Company secretarial, administrative and accounting services

Juniper Partners, previously known as PATAC, was appointed by the Company in 2015 to provide company secretarial, administrative and accounting services under an Administration Agreement. Juniper Partners also provides discount and premium control services to the Company. This agreement may be terminated on three months' notice. For the period to 31 March 2022, Juniper Partners received a fixed fee of £153,865 per annum payable quarterly in arrears (2021: £152,291). In addition, in respect of its services in connection with the operation of the DCP, Juniper Partners is entitled to a fee of £30,000 per annum plus a commission of 0.1% of the aggregate consideration received or paid in respect of any Ordinary shares issued or bought back over the period. These fees amounted to £355,061 (2021: £131,356).

Following a review of the fees payable to Juniper Partners, the Board concluded that the rates payable to Juniper Partners were behind market rates for the services received. Therefore, with effect from 1 April 2022, Juniper Partners, in respect of administration and company secretarial services, will receive a fixed fee of £145,000 per annum plus 0.02% of the value of shareholders' funds up to and including £1 billion: 0.01% of the value of shareholders' funds over £1 billion up to and including £2 billion: and 0.00625% of the value of shareholders' funds on any amounts over £2 billion.

In respect of services provided in connection with the DCP, Juniper Partners, with effect from 1 April 2022, will receive a fixed fee of £30,000 per annum plus commission of 0.1% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company up to and including £250 million: commission of 0.075% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £250 million up to and including £500 million: and commission of 0.05% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £500 million.

Depository and Custodian

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

Details of the fees paid during the period are recorded in note 4 of the financial statements on page 57.

Conflicts of interest

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

Directors' Report (continued)

Directors

The Directors of the Company who held office at 31 March 2022 and at the date of approval of this report are set out on page 13, together with their biographies. Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report on page 37.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

Retirement and re-election of Directors

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

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

Directors' indemnity

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

Whistleblowing policy

As the Company has neither executive Directors nor employees, a formal whistleblowing policy has not been adopted. However, the Board has agreed a procedure by means of which any Directors or employees of external service providers can bring to the attention of the Chairman or Senior Independent Director matters of concern to them. No matters of concern have been raised during the period to 31 March 2022.

Information about securities carrying voting Rights

The following information is disclosed in accordance with Section 992 of the Companies Act 2006:

- the Company's capital structure is summarised above;
- the details of the substantial shareholders in the Company are listed above;
- the rules on the appointment and replacement of the Directors are set out in the Articles and are summarised on page 32. Any change to the Articles would be governed by the Companies Act 2006;
- the Directors' powers to issue and buy back shares, in force at the financial year-end, are recorded on page 28;
- there are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid; and

Annual General Meeting (the "AGM")

The AGM of the Company will be held on 12 July 2022 at 11.00 a.m. at the offices of J.P. Morgan, The Great Hall, 60 Victoria Embankment, London, EC4Y 0JP. The formal notice of such is set out on pages 68 to 69. Shareholders are strongly advised to appoint the Chairman of the meeting to vote on their behalf by completing and returning their form of proxy or when submitting their votes through an investment platform.

Shareholders are encouraged to submit questions to the Board using the email address company.secretary@capitalgearingtrust.com by Thursday, 7 July 2022. The proxy voting results, answers to any questions raised ahead of the AGM and the presentation from the Investment Manager will be made available on the Company's website following the AGM.

There are 16 resolutions being proposed at the AGM, 12 of which are ordinary resolutions, two of which are being considered as special business, and four of which (resolutions 13 to 16) are special resolutions. Resolutions 1 to 4 concern the receiving of the accounts, approving the Directors' remuneration report and remuneration policy, and approving the final dividend of 46p per share. Resolutions 5 to 8 are for the re-election of the existing Directors. Resolution 9 is for the re-appointment of BDO as auditors and resolution 10 is to authorise the Directors to determine their remuneration.

Directors' Report (continued)

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

Resolution 11 – Articles of Association

The current Articles of Association provide that Directors' fees shall not exceed £165,000 per annum in aggregate. Although there are currently no plans to make any significant changes to the fees paid to the non-executive Directors, the Board considers it desirable to increase the fee limit contained in the Articles of Association in order to provide additional flexibility including for any new appointments. It is proposed that the limit be increased to £180,000 per annum in aggregate, an increase of 9%. Directors' remuneration will continue to be paid in accordance with the Directors' Remuneration Policy.

Resolutions 12 and 13 – Directors' authority to allot shares and disapply pre-emption rights

At the AGM held on 6 July 2021 (the "2021 AGM"), the Directors were given the authority until the date of the following AGM to allot up to 4,905,987 shares and to disapply pre-emption rights in respect of up to 2,943,592 of these shares. At general meetings held on 4 November 2021 and 25 April 2022, the Directors were given further authority to allot up to a total of 7,934,375 shares on a non pre-emptive basis. Details of the shares issued under these authorities can be found in note 11 on page 60.

At this year's AGM, the Directors are seeking authority to allot up to 7,505,056 shares, in aggregate a nominal value of £1,876,264.00, representing one third of the issued share capital as at 26 May 2022. The Directors are also seeking to disapply pre-emption rights in respect of the allotment of up to 20% of the issued share capital of the Company, (equivalent to 4,503,034 shares at 26 May 2022 with an aggregate nominal value of £1,125,758.50), 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 20% for investment companies. The Board believe the that the continued operation of the DCP in a cost-effective manner is in the best interest of both existing and new shareholders.

Resolution 14 – Authority to make market purchases of the Company's shares

At the 2021 AGM, the Directors were given the authority until the date of the following AGM to buy back up to 2,206,222 shares (14.99% of the issued share capital at the date of the 2021 AGM). There have been no shares bought back under these authorities.

At this year's AGM, the Directors are seeking authority to buy back up to 3,375,023 shares (14.99% of the issued share capital as at 26 May 2022) for cancellation or

holding up to 10% in treasury for re-sale into the market during more favourable market conditions at values equal or at a premium to NAV.

If approved, the powers, as detailed above under Resolutions 12 to 14 and in the formal notice of the AGM, will expire at the AGM to be held in 2023 unless previously renewed, varied or revoked by the Company in general meeting. These powers will be exercised only if the Board is of the opinion that it would result in an enhancement to the NAV per share of the Company and therefore have a positive effect on shareholder funds. The ability to buy back shares is an important part of the operation of the DCP, if and when required.

Resolution 15 – Cancellation of the Company's share premium account

The Company has built up a substantial share premium account owing to the high level of issuance since the introduction of the discount and premium control policy. This account is non-distributable. The Company may cancel the share premium account and convert the amount into a distributable reserve following approval by shareholders and confirmation of the Court.

The Board believes that converting the share premium account to a distributable reserve would provide a significant pool of reserves which can be used in future, if required, to fund share buybacks or other returns of capital in accordance with the applicable law. The cancellation will therefore facilitate the effective operation of the DCP and provide the Company with more flexibility in how the reserves are established for future events. The Board previously sought similar authority at its Annual General Meeting held in 2020 which was approved by shareholders. However, due to administrative delays during the Covid-19 pandemic this cancellation did not occur. Given the significant increase in the share premium account since the previous authority was granted in 2020, the Board is seeking renewed approval from shareholders at the forthcoming AGM to cancel the amount standing to the credit of the current share premium account, following which it will make an application to the Court to obtain its approval to the cancellation and the creation of an equivalent distributable reserve.

Resolution 16 – Notice of general meetings

At the 2021 AGM, a resolution was passed to allow the Company to call a general meeting other than an AGM on at least 14 clear days' notice. Such shareholder authority must be renewed annually, and must exclude AGMs, which can only be held on 21 clear days' notice. Without such shareholder authority, all general meetings need 21 clear days' notice.

Directors' Report (continued)

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

Recommendation

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

Statutory auditor

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

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 13. Each Director in office at the date of this report confirms that:

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

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

Business ethics

The Company is an investment company with no employees or customers and does not provide goods or services in the normal course of business. It has appointed third parties to manage the investments and to carry out administrative and secretarial services. The Company's own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated and the Board has sought assurances from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Bribery Act 2010

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

Criminal Finances Act 2017

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

Greenhouse gas emissions

The Company's approach to ESG is set out on pages 20 to 23 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its shareholders are effectively its customers. As such it does not directly generate any greenhouse gas or other emissions or pollution. Nor does it have any emissions-producing sources to report under the Companies Act 2006 and associated regulations. As the Company did not consume more than 40,000 kWh of energy during the past year, it is exempt from reporting under Streamlined Energy and Carbon Reporting regulations.

Taskforce for Climate Related Financial Disclosures ('TCFD')

The Company notes the TCFD recommendations on climate-related financial disclosures. The Company is an investment trust and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

Political and charitable contributions

No contributions were made during the period for political or charitable purposes (2021: nil).

Post balance sheet events

Since 31 March 2022, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

By order of the Board

Juniper Partners Limited

Company Secretary
27 May 2022

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report.

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

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

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

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

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

Application of the AIC Code

Operation of the Board

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

It has delegated investment management, within clearly defined parameters and dealing limits, to CG Asset Management and the company secretarial and administration functions have been delegated to Juniper Partners. The Board reviews the performance of the Company at Board meetings and sets the objectives for the Investment Manager.

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

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

Biographies of those Directors in office at the date of signing of the financial statements are set out on page 13.

Audit Committee

The Audit Committee is a formally constituted Committee of the Board with defined terms of reference. Its role and responsibilities are set out in the Report of the Audit Committee on page 39. As the Board is small, Jean Matterson, the chairman of the Board, was appointed a member of the audit committee with effect from 26 January 2022. The Board is satisfied that members of the Audit Committee have relevant and recent financial experience to fulfil their role effectively and also have sufficient experience relevant to the closed ended investment company sector and UK listed companies. The auditor, who the Board has identified as being independent, is invited to attend the Audit Committee meeting at which the annual accounts are considered and any other meetings that the Committee deems necessary. The Committee is chaired by Robin Archibald.

Nomination Committee

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

Corporate Governance Statement (continued)

The Committee, when assessing the performance of Directors and for making recommendations as to whether they should remain in office and be put forward for election or re-election at the AGM, uses extensive questionnaires and reviews by the Chair. The Senior Independent Director is responsible for the appraisal of the Chair. The 2022 review did not identify any causes for concern.

Management Engagement Committee

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

Directors' meeting attendance

The number of formal meetings held during the period from 6 April 2021 to 31 March 2022 and the Directors' attendance is detailed below.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Miss J G K Matterson	5/5	3/3	1/1	1/1	1/1
Mr R Archibald	5/5	3/3	1/1	1/1	1/1
Ms W M Colquhoun	5/5	3/3	1/1	1/1	1/1
Mr P T Yates	5/5	3/3	1/1	1/1	1/1
Mr A L Laing (retired 6 July 2021)	2/2	1/1*	N/A	N/A	N/A

*invited as an attendee only

Apart from regular Board meetings, members of the Board attended a number of ad hoc committee meetings during the period, for strategic discussions and continued implementation of the discount/ premium control policy. Members of the Board are also in contact with representatives of the Investment Manager and the Company Secretary on an informal and regular basis. In addition, all members of the Board attended the AGM on 6 July 2021.

Remuneration Committee

A Remuneration Committee comprises all the independent Directors of the Company and is chaired by Wendy Colquhoun. The Committee meets at least once a year to consider the Directors' Remuneration Policy and the remuneration of the Directors.

During the period, the Committee considered the Directors' fees over the last eight years, fees paid by its investment trust peer group and the results of Trust Associate's 2021 fee review. After considering this information and the work and responsibilities of the Directors, the Committee concluded that for the forthcoming financial year it was appropriate to apply a 10% increase to the fees of each of the Chairman and the Chairman of the Audit Committee. It was agreed to increase the fees of the other non-executive Directors by 9.09% to £30,000. The additional fee payable to the Senior Independent Director would remain at £2,000.

The Directors' Remuneration Report can be found on pages 35 to 38.

Corporate Governance Statement (continued)

Independence of the Directors

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

Director tenure

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

The Board's view is that length of tenure is not necessarily an issue, with the Director's contribution, and ability being important factors in determining the value the individual brings to the Board. The Directors are conscious of the benefits of continuity on the Board and believe that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to the Company. The Chairman and Directors would generally be expected to serve a term of up to nine years. However, certain circumstances, such as significant corporate change and the need to maintain cohesion, and continuity may require this term to be adjusted.

Director remuneration

The Company's policy on Director remuneration is set out within the Directors' Remuneration Report on pages 35 to 38.

Gender and diversity

The Board is focused on having an effective Board which consists of experienced non-executive Directors who can function well together and have a good operational knowledge of the Company and the closed ended investment company sector more generally. Accordingly, the Board consists of four independent Directors in Jean Matterson, Robin Archibald, Wendy Colquhoun and Paul Yates. The Board supports the principle of boardroom diversity in its broadest sense, in terms of gender, expertise, geographic background, age and race. The Company is specialised and the Board's priority is to have a relatively small and effective independent Board of non-executive Directors with the requisite abilities and experience to oversee the Company, its investments and its corporate structure, including its third-party advisers. Any new appointee would make an appropriate contribution to those skills. It is the Board's policy to review its composition regularly and, when appropriate, to refresh the Board through recruitment, with the aim of having the blend of skills and attributes that will best serve shareholders in the future.

In achieving gender diversity, the Board consists of four non-executive Directors of whom two are female, including the Chairman of the Company, thereby constituting 50% female representation.

The Nomination Committee does not consider it appropriate to establish diversity targets or quotas at this time, however the Committee is mindful of the new Listing Rules on diversity and inclusion and the Company's aim is to have an appropriate level of diversity on the Board.

Directorate

The Board believes that shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board with experienced candidates. Alastair Laing, as the only non-independent Director, stepped down from the Board on 6 July 2021, upon conclusion of the Annual General Meeting. He continues to attend Board meetings as a representative of the Investment Manager.

Induction and training

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

Corporate Governance Statement (continued)

Ongoing evaluation

On an annual basis the Nomination Committee formally reviews the Board's performance, together with that of the Audit and other Board committees and the effectiveness and contribution of the individual Directors, including the Chairman, within the context of service on those bodies. This internal review of the Board and the Audit Committee was conducted by way of evaluation questionnaires, the results of which were discussed by the Directors in February 2022. The Senior Independent Director led the annual evaluation of the Chairman. The outcome was positive with no significant concerns expressed.

As the Company is a constituent of the FTSE 250, the Board intends to hold an externally facilitated performance evaluation of the Board, its Committees, the Chair and the individual Directors, every three years. The first externally facilitated evaluation is scheduled to take place in 2022/23.

Shareholder communications

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

The Board largely delegates responsibility for communication with shareholders to CGAM and, through feedback, from the Investment Manager, expects to be able to develop an understanding of shareholders' views. There is also a communication line with shareholders through Juniper Partners in its role as company secretary and operator of the DCP. The Board receives a quarterly report from the Investment Manager summarising any shareholder correspondence. Members of the Board are always happy to meet with shareholders for the purpose of discussing matters in relation to the operation and prospects of the Company.

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

The Investment Manager typically makes a presentation at the AGM outlining the key investment issues that face the Company. The presentation will also be made available on the Company's website.

Accountability, internal controls and audit

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

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

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

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

Corporate Governance Statement (continued)

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

Since the Covid-19 pandemic emerged in 2020, the Board has worked closely with all of its agents, directly or indirectly, to ensure that internal controls and the resilience of operating systems continue to be in place, which has proven to be the case. The systems and controls have proven to be robust to date, despite the challenges imposed by offsite working and lockdown provisions and increased reliance on internet and phone communication.

By order of the Board

Juniper Partners Limited

Company Secretary
27 May 2022

Directors' Remuneration Report

This section provides details of the remuneration policy for the Directors of the Company. All Directors are non-executive, appointed under the terms of letters of appointment, and none have a service contract. Each Director's appointment is subject to their re-election every year at the AGM. The Company has no employees.

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

The Board has established a Remuneration Committee consisting of all the independent Directors, chaired by Wendy Colquhoun. The Committee considers and determines all matters relating to the Directors' remuneration at the beginning of each financial year. 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. Directors are entitled to receive reasonable out of pocket expenses incurred in connection with their responsibilities, which largely relate to travel and accommodation expenses.

Policy on Directors' remuneration

The Company's policy is that the remuneration of each Director should be commensurate with the duties, responsibilities and time commitment of each respective role and consistent with the requirement to attract and retain Directors of appropriate quality and experience. The remuneration should also be comparable to that of similar investment trusts within the AIC Flexible Investment Sector and other investment trusts which are similar in size and structure. Given the nature of the Company, there may be circumstances where additional remuneration is paid to Directors for requirements outside the normal activities of the Board. The remuneration policy is not subject to employee consultation as the Company has no employees. As such, there are no employee comparative data to provide in relation to the setting of the remuneration policy of the Directors.

The Board, at its discretion, shall determine Directors' remuneration subject to the aggregate annual fees not exceeding the amount set out in the Company's Articles from time to time. The current limit of the total

aggregate annual fees payable is £165,000. This limit can be increased by ordinary resolution of the shareholders. Remuneration is solely composed of Directors' fees and Directors are not eligible for any other remuneration for their duties. Fees for each financial year are agreed and approved by the Remuneration Committee.

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 next and subsequent financial years.

Shareholder views

No shareholder has expressed any views to the Company in respect of the remuneration policy and the Directors' remuneration.

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.

Amendment to Articles of Association

As noted above, the current aggregate annual fee limited within the Articles is £165,000 per annum. A resolution to increase this limit to £180,000, will be proposed at the 2022 AGM. Increasing this cap is to allow for future increases to Directors' fees and provide capacity to appoint a further Director should it ever be considered desirable to do so.

Audit requirements

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 44 to 49.

Directors' Remuneration Report (continued)

Directors' fees (audited)

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

The Directors are remunerated exclusively by fixed fees and do not receive bonus payments, share options or pension contributions from the Company apart from reimbursement of allowable expenses. Directors' fees are reviewed every year and a detailed review was undertaken in February 2022 and the basis for the increase in fees is provided in the Chairman's statement. The new fee rates shown in the table below took effect from 1 April 2022.

	Annual fee rates		
	2023 £	2022 £	2021 £
Chairman	42,350	38,500	35,000
Audit Committee Chairman*	36,300	33,000	30,000
All other Directors	30,000	27,500	25,000

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

Aggregate director's remuneration

The total figure of remuneration for the Board as a whole, including Directors who have retired, over the previous five years is summarised below and there were no performance related, pension or other taxable benefits paid:

	Fees £
To 31 March 2022	128,500
To 5 April 2021	113,577
To 5 April 2020	121,000
To 5 April 2019	99,000
To 5 April 2018	121,000

Single total figure of remuneration (audited)

The single total figure of remuneration for the Board as a whole for the period ended 31 March 2022 was £128,500 (Year to 5 April 2021: £113,577). The single total figure table for the total remuneration of each Director, together with the prior year's comparative, is set out in the table below:

Directors	Total	
	2022 £	2021 £
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	38,500	32,481
Mr R Archibald (Chairman of the Audit Committee and Senior Independent Director)	35,000	32,000
Mr A R Laing (retired on 6 July 2021)	–	–
Ms W M Colquhoun (appointed 5 January 2021)	27,500	5,673
Mr P T Yates (appointed 2 December 2019)	27,500	25,000
Mr E G Meek (retired 12 November 2020)	–	18,423
	128,500	113,577

Since 6 April 2018, Mr A R Laing has not received a fee from the Company. For the period ended 31 March 2022, he received remuneration totalling £170,000 (2021: £126,000) from CG Asset Management in respect of its services to the Company. CG Asset Management does not recharge this remuneration to the Company.

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

No payments were made to any former Directors and no loss of office payments were made to any person who has previously served as a Director of the Company at any time during the financial period ended 31 March 2022 (Year to 5 April 2021: nil).

Directors' Remuneration Report (continued)

Annual percentage change in remuneration of directors

The table below is a disclosure requirement under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and sets out the annual percentage change in each director's remuneration received in the financial period ended 31 March 2022 compared to the financial year ended 5 April 2021. The percentage change reflects changes in roles on the Board compared to previous remuneration and less than full year appointment.

Directors	2022 Total Fees % change	2021 Total Fees % change
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	18.5%	29.9%
Mr R Archibald (Chairman of the Audit Committee and Senior Independent Director)	9.4%	10.3%
Mr A R Laing (retired 6 July 2021)	–	–
Ms W M Colquhoun (appointed 5 January 2021)	384.8%	n/a
Mr P T Yates (appointed 2 December 2019)	10.0%	212.5%

Directors and their interests (audited)

The Directors in office at 31 March 2022 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	
	31 March 2022	5 April 2021
Miss J G K Matterson Non-executive Chairman	16,700	15,700
Mr R Archibald Non-executive Director and Senior Independent Director	2,432	2,079
Ms W M Colquhoun Non-executive Director	400	400
Mr P T Yates Non-executive Director	1,000	1,000

No changes in these holdings have been notified since 31 March 2022 up to the date of this report. The Company has no share options or any share schemes, and does not operate a pension scheme. None of the Directors are required to own shares in the Company.

Performance graphs

Graphs showing the Company's net asset value compared with the MSCI UK Index and RPI over the period from 2002 to 2022 and comparing the Company's share price total return to shareholders over the last five years with the MSCI UK Index and RPI, are shown on page 3.

Relative importance of spend on pay

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

	2022 £'000	2021 £'000	Absolute change £'000
Remuneration paid to all Directors	129	114	15
Distribution to shareholders by way of dividend*	9,610	6,771	2,839

* Dividend for 2022 comprises the final dividend proposed for the year but not yet paid (estimated on 20,891,975 shares, being the number of shares in issue at 31 March 2022).

Directors' Remuneration Report (continued)

Statement of voting at the last Annual General Meeting

An ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM and every year thereafter. To date, no shareholders have commented in respect of the remuneration report or policy. 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. At the last AGM held on 6 July 2021, shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Report: of the 4,367,396 proxy votes cast, 4,363,425 (99.9%) were cast in favour and 3,971 (0.1%) were cast against. 4,364 votes were withheld.

At the AGM held on 9 July 2019, shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Policy: of the 1,800,671 proxy votes cast, 1,799,474 (99.9%) votes were cast in favour and 1,197 (0.1%) were cast against. 687 votes were withheld.

Annual statement

On behalf of the Board, I confirm that the above Directors' Remuneration Report summarises as appropriate for the period ended 31 March 2022:

- a) the major decisions on Directors' remuneration;
- b) any substantial changes relating to Directors' remuneration made during the year; and
- c) the context in which those changes occurred and decisions were taken.

On behalf of the Board

Wendy Colquhoun

Chairman of the Remuneration Committee
27 May 2022

Audit Committee Report

As Chairman of the Company's Audit Committee (the "Committee") I am pleased to present the Committee's report to shareholders for the period to 31 March 2022. This report describes the range of work that the Committee has considered, been engaged in and the judgements it has exercised.

Composition

The Committee comprises Jean Matterson, Wendy Colquhoun, Paul Yates and myself, Robin Archibald, as Chair, all of whom have recent and relevant financial experience from their senior management and other non-executive roles in the closed-ended sector. I am a chartered accountant and corporate financier with considerable financial and investment company experience, including serving as audit chair for other investment companies over the last ten years. My biography and those of the other Committee members can be found on page 13. As the Board is small, Jean Matterson, the Chairman of the Board, was appointed a member of the Audit Committee with effect from 26 January 2022. Previously Jean attended Committee meetings by invitation only. Collectively, the Committee brings considerable corporate and investment company experience to bear on the Company's activities.

Role and responsibilities

The principal objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial reporting and monitoring the appointment, effectiveness and objectivity of the external auditor. In doing so, the Committee operates within its terms of reference, which are reviewed at each meeting and are available on the Company's website.

The Committee discharges the following key functions:

- to review the internal financial and non-financial controls, identify the principal risks, including emerging risks, and monitor the mitigating controls. This includes meeting representatives of the Investment Manager, Administrator and Custodian and receiving reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- to consider the integrity of and recommend to the Board for approval the contents of the draft half-yearly and annual reports to shareholders and related announcements;

- to review the accounting policies and significant financial reporting judgements;
- to assess going concern and viability of the Company, including the assumptions used;
- to ensure the Annual Report, taken as a whole, is fair, balanced and understandable;
- to review the external auditors' independence, objectivity, effectiveness, appointment, remuneration and the quality of the services provided and to approve, if appropriate, any non-audit services to be carried out by the auditor;
- together with the Company Secretary, to review the Company's compliance with financial reporting, regulatory and governance requirements; and
- to assess the need for an internal audit function, taking account of the assurances received from the various external agents to the Company on their internal controls and systems.

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

In particular, the Committee focussed on the following areas:

Financial reporting

During the year, the Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements and in the production of the interim accounts, including emerging risks and changes to the Company's risk profile. The Committee reviewed the external audit plan in November 2021 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 and that the accounting policies applied continue to be appropriate.

Audit Committee Report (continued)

Financial reporting (continued)

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

Significant issue	How the issue was addressed
Ownership and valuation of investments	The appointed Depositary is responsible for the custody and controlling of all assets of the Company entrusted for safekeeping. Controls are in place to ensure that valuations are appropriate, and existence is verified by Juniper Partners via reconciliations to custodial records. The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 1 to the financial statements on page 54. The external auditors test the value and existence of all of the Company's investments held at the balance sheet date.
Ongoing impact of the Covid-19 pandemic and review of recent heightened risks including inflation and geopolitical	The Committee considered the ongoing impact of Covid-19 on the Company, its service providers, compliance with regulatory requirements, going concern and on its financial statements. The Committee also reviewed inflation and geopolitical risks as part of the review of the investment portfolio and the asset allocation.
Revenue recognition, particularly from delisted trusts, where returns may be of capital rather than income, and any other returns from investments which constitute capital rather than revenue returns.	Revenue was recognised in accordance with investment policies and enquiry was made on revenue of an atypical nature, such as special dividends or capital receipts. The Investment Manager reported to the Committee that less than 0.1% of the Company's portfolio is invested in delisted investment trusts. Receipts from these investments are reviewed by the Company Secretary and Investment Manager to ensure they are appropriately allocated to revenue or capital.
Potential for management override of controls and maintaining appropriate internal controls	The Committee together with the Board have established clear lines of responsibility between the Investment Manager, Custodian, Company Secretary and receive appropriate reports from each of them regarding the operation and review of those organisations' internal controls.
Going concern	The content of the investment portfolio, trading activity, portfolio diversification and the cash balances are discussed at each Board meeting. After due consideration, the Committee concluded it was appropriate to prepare the Company's financial statements on a going concern basis and made this recommendation to the Board. The relatively high level of liquidity of the portfolio was a key factor that led to this conclusion, as well as the Company being ungeared and its continued ability to meet the investment objective and to fulfil the aims under its discount and premium control policy.
Company's accounting reference date	The Committee reviewed the annual reporting timetable and concluded that using a month-end performance reporting adopted by the investment company is more appropriate than the historic basis of using 5 April, which coincided with fiscal year end. The Board, upon the recommendation of the Committee, agreed to amend the accounting reference date to 31 March. A change in accounting reference period does not require shareholder approval.
Compliance with s1158 Corporation tax Act 2000 (Investment trust status) and other taxation issues impacting on the Company	The Committee reviews the Company Secretary's procedures for ensuring compliance with relevant regulations, so the Company maintains its investment trust status and regularly seeks confirmation of compliance with the relevant regulations. A separate taxation adviser is appointed to oversee tax matters impacting on the Company.

Audit Committee Report (continued)

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 reviews that are undertaken at different levels in the production process of the Annual Report and Financial Statements, by the Investment Manager, Company Secretary and Auditor and the Audit Committee that aim to ensure consistency and overall balance; and
- b) the controls that are in place at the Investment Manager and third-party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the period ended 31 March 2022, 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 43.

Audit appointment and tenure

The Company's current auditors, BDO LLP, have acted in this role since their appointment in July 2020, following a formal tender process. As described below, the Committee reviews the performance of the auditors annually, taking into consideration the services and advice provided to the Company and the fees charged for these services. The audit partner is required to be rotated at least every five years and Vanessa Bradley first served as audit partner from July 2020 when BDO were first appointed. Based on existing regulation the audit must be put out to tender at least every ten years. The Company confirms that it complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial period ended 31 March 2022.

Policy on non-audit services

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

Audit plan and fees

The Committee considered the plan and scope of the audit, the principal risks that BDO would address, the timetable and proposed fees. The audit fee of £38,000 for the current year's audit, an increase from £28,000 from the previous year, both figures excluding VAT, was approved by the Committee. There has been a trend for increased audit fees throughout the accounting industry, particularly for listed companies, including investment companies. It is expected that the Company will be impacted by this in future years but that the fees will remain competitive for what is being provided and for the circumstances of the Company.

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

Assessment of the efficacy of the external audit process

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

- a) the quality of the audit engagement partner and the audit team;
- b) the expertise of the audit firm and the resources available to it;
- c) planning, scope and execution of the audit, including identification of areas of audit risk;
- d) consideration of the appropriateness of the level of audit materiality adopted;
- e) role of the Board, Company Secretary, and third-party service providers in an effective audit process;

Audit Committee Report (continued)

- f) communications by the auditor with the Audit Committee;
- g) how the auditor supports the work of the Audit Committee and contributes added value; and
- h) a review of independence and objectivity of the audit firm.

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

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. Being an investment company with no employees, all executive activities are delegated to service providers, principally among them, the Investment Manager and the Administrator. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from the Investment Manager and the Administrator. The Board has therefore concluded that it is not necessary for the Company to have its own internal audit function.

Committee evaluation

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

2022-2023 action plan

During the year to 31 March 2023, the Committee will continue to examine changes to the regulatory, governance and economic environment, and the risks and opportunities so presented. The annual report and financial statements and the half yearly statement will occupy much of the Committee time, as will examining the resilience of the Company's operations, the internal controls of its agents and the integrity of financial records and external financial reporting. Risks will continue to be monitored, particularly the impact of increasing inflation and geopolitical risks, whether current or emerging.

Robin Archibald

Chairman of the Audit Committee
27 May 2022

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Declaration

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

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

For and on behalf of the Board

Jean Matterson

Chairman
27 May 2022

Independent auditors' report to the members of Capital Gearing Trust P.L.C.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of the Company's net return attributable to equity shareholders for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Capital Gearing Trust P.L.C. (the 'Company') for the period ended 31 March 2022 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 3 July 2020 to audit the financial statements for the year ending 5 April 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the year ending 5 April 2021 and the period ending 31 March 2022. We remain independent of the Company in accordance with the ethical requirements that are

relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- evaluating the appropriateness of the Directors' method of assessing going concern by reviewing the revenue and cash forecast used by the Directors in completing the assessment;
- assessing the Directors' assumptions and judgements made with regards to the base case forecast including discretionary and non-discretionary cash outflows, assessing the reasonableness of these against historic outflows and considering the available cash resources;
- assessing the Directors' assumptions and judgements made with regards to stress-testing forecasts including considering the sufficiency of the liquidity of the portfolio.

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

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

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

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

Overview

Key audit matters	Valuation and ownership of quoted investments	2022 ✓	2021 ✓
Materiality	Company financial statements as a whole £10.4m (2021:£6.3m) based on 1% (2021: 1%) of Net assets		

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation and ownership of quoted investments (note 1b and 8)</p> <p>We considered the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and the key driver of performance.</p> <p>There is a risk that the investment balance includes investments which are no longer owned by the Company or that the bid price used to value the investment is incorrect leading to a material misstatement.</p>	<p>We responded to this matter by testing the valuation and ownership of the portfolio of quoted investments. We performed the following procedures:</p> <ul style="list-style-type: none"> ■ Confirmed the period-end bid price was used by agreeing to externally quoted prices (over 99% of the portfolio); ■ Assessing if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; ■ Obtained direct confirmation from the custodian regarding the ownership of all investments held at the balance sheet date. ■ Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. <p>Key observations</p> <p>Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of investments was not appropriate.</p>

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

Our application of materiality

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

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

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

	Company financial statements	
	2022 £m	2021 £m
Materiality	£10.4m	£6.3m
Basis for determining materiality	1% of Net assets	1% of Net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	£7.87m	£4.41m
Basis for determining performance materiality	75% of materiality based on our knowledge and experience of the company, history of errors identified and low level of expected misstatements.	A more conservative performance materiality was used as this was the first year on the audit. Performance materiality was set at 70% of total materiality.

Lower testing threshold

We determined that for Revenue return before tax, a misstatement of less than materiality for the financial statements as a whole, could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. As a result, we determined a lower testing threshold for those items impacting revenue return of £510,000 (2021: £670,000) based on 5% of net revenue return before tax (2021: 10% of net revenue return before tax).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £208,000 (2021: £126,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

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

Corporate governance statement

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

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

Going concern and longer-term viability	<ul style="list-style-type: none"> ■ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and ■ The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	<ul style="list-style-type: none"> ■ Directors' statement on fair, balanced and understandable; ■ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; ■ The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and ■ The section describing the work of the audit committee.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> ■ the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and ■ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> ■ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or ■ the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ■ certain disclosures of Directors' remuneration specified by law are not made; or ■ we have not received all the information and explanations we require for our audit.

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud through enquiries from the Company Secretary, review of the Board meeting

minutes and review of the risk register. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

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

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the Company Secretary and those charged with governance relating to the existence of any fraud and non-compliance with laws and regulations;
- review of minutes of board meetings and other committee meetings throughout the period; and for instances of non-compliance with laws and regulations and fraud
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

We assessed the susceptibility of the financial statement to material misstatement including fraud and considered the areas most susceptible to fraud to be management override of controls and the valuation of quoted investments.

Our tests included, but were not limited to:

- the procedures set out in the Key Audit Matters section above in relation to the valuation of quoted investments; and
- testing a sample of journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

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

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

Use of our report

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

Vanessa Bradley (Senior Statutory Auditor)
For and on behalf of **BDO LLP, Statutory Auditor**
London, UK
27 May 2022

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

Income Statement

for the period ended 31 March 2022

	Note	Period ended 31 March 2022			Year ended 5 April 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments	8	–	57,875	57,875	–	57,452	57,452
Net currency gains/(losses)		–	530	530	–	(116)	(116)
Investment income	2	14,677	–	14,677	9,942	–	9,942
Gross return		14,677	58,405	73,082	9,942	57,336	67,278
Investment management fee	3	(3,627)	–	(3,627)	(2,604)	–	(2,604)
Other expenses	4	(727)	–	(727)	(612)	–	(612)
Net return before tax		10,323	58,405	68,728	6,726	57,336	64,062
Tax charge on net return	5	(510)	–	(510)	(396)	–	(396)
Net return attributable to equity shareholders		9,813	58,405	68,218	6,330	57,336	63,666
Net return per Ordinary share	7	56.81p	338.14p	394.95p	51.04p	462.35p	513.39p

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

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

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

The notes on pages 54 to 67 form an integral part of these financial statements.

Statement of Changes in Equity for the period ended 31 March 2022

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Total equity share- holders' funds £'000
Opening balance at 6 April 2020		2,903	362,726	16	97,081	7,333	470,059
Net return attributable to equity shareholders and total comprehensive income for the year		–	–	–	57,336	6,330	63,666
Shares issued from treasury		–	389	–	3,961	–	4,350
New shares issued		550	100,322	–	–	–	100,872
Dividends paid	6	–	–	–	–	(4,901)	(4,901)
Total transactions with owners recognised directly in equity		550	100,711	–	3,961	(4,901)	100,321
Closing balance at 5 April 2021		3,453	463,437	16	158,378	8,762	634,046
Opening balance at 6 April 2021		3,453	463,437	16	158,378	8,762	634,046
Net return attributable to equity shareholders and total comprehensive income for the period		–	–	–	58,405	9,813	68,218
New shares issued		1,770	352,572	–	–	–	354,342
Dividends paid	6	–	–	–	–	(6,771)	(6,771)
Total transactions with owners recognised directly in equity		1,770	352,572	–	–	(6,771)	347,571
Closing balance at 31 March 2022		5,223	816,009	16	216,783	11,804	1,049,835

* As at 31 March 2022 £159,561,000 (2021: £120,241,000) of the capital reserve together with the revenue reserve are regarded as being available for distribution. Unrealised capital gains are not available for distribution.

The notes on pages 54 to 67 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2022

	Note	31 March 2022 £'000	5 April 2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	991,893	594,230
Current assets			
Debtors	9	15,386	3,895
Cash at bank and in hand		50,611	37,242
		65,997	41,137
Creditors: amounts falling due within one year	10	(8,055)	(1,321)
Net current assets		57,942	39,816
Total assets less current liabilities		1,049,835	634,046
Capital and reserves			
Called-up share capital	11	5,223	3,453
Share premium account		816,009	463,437
Capital redemption reserve		16	16
Capital reserve		216,783	158,378
Revenue reserve		11,804	8,762
Total equity shareholders' funds		1,049,835	634,046
Net asset value per Ordinary share	12	5,025.1p	4,590.2p

The financial statements on pages 50 to 67 were approved by the Board on 27 May 2022 and signed on its behalf by:

Jean Matterson
Chairman

The notes on pages 54 to 67 form an integral part of these financial statements.

Cash Flow Statement

for the period ended 31 March 2022

	Note	Period ended 31 March 2022 £'000	Year ended 5 April 2021 £'000
Net cash inflow from operating activities	13	9,759	7,256
Payments to acquire investments		(833,682)	(372,428)
Receipts from sale of investments		496,426	269,854
Net cash outflow from investing activities		(337,256)	(102,574)
Equity dividends paid	6	(6,771)	(4,901)
Proceeds from the issue of Ordinary shares		348,313	103,954
Cost of share issues		(676)	(134)
Net cash inflow from financing activities		340,866	98,919
Increase in cash and cash equivalents		13,369	3,601
Cash and cash equivalents at start of period		37,242	33,641
Cash and cash equivalents at end of period		50,611	37,242

The notes on pages 54 to 67 form an integral part of these financial statements.

Notes to the Financial Statements

1 Significant Accounting Policies

The current reporting period is 6 April 2021 to 31 March 2022. The comparative information is for the year 6 April 2020 to 5 April 2021.

a) Basis of accounting

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

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (Accounting Standards "UK GAAP") including Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in April 2021. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. In concluding on going concern basis, the Directors have taken into account the liquidity of the portfolio, forecasts and obligations under the DCP.

The principal accounting policies are set out below. These policies have been applied consistently throughout the current period and prior year.

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

There are no critical accounting estimates or judgements.

b) Valuation of investments

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

which are quoted bid prices for investments traded in active markets. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

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

c) Accounting for reserves

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

d) Dividends

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

e) Income

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

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

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

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

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

Notes to the Financial Statements (continued)

1 Significant Accounting Policies (continued)

f) Expenses

All expenses are charged to revenue and include, where applicable, value added tax ("VAT").

g) Taxation Policy

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

h) Other financial instruments

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

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

i) Foreign currency

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

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

j) Capital reserve

The following are accounted for in this reserve:

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

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

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

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

Notes to the Financial Statements (continued)

2 Investment income

	2022 £'000	2021 £'000
Income from investments:		
Interest from UK bonds	1,584	1,329
Income from UK equity and non-equity investments	8,163	4,194
Interest from overseas bonds	2,083	1,994
Income from overseas equity and non-equity investments	2,847	2,425
Total income	14,677	9,942

	2022 £'000	2021 £'000
Total income comprises:		
Dividends	7,868	4,919
Property Income and Interest Distributions	3,142	1,700
Interest	3,667	3,323
	14,677	9,942

	2022 £'000	2021 £'000
Income from investments comprises:		
Listed in the UK	9,747	5,523
Listed overseas	4,930	4,419
	14,677	9,942

3 Investment management fee

	2022 £'000	2021 £'000
Investment management fee	3,627	2,604

The Company's Investment Manager CG Asset Management Limited received an annual management fee equal to 0.60% of the net assets of the Company up to £120m, 0.45% on net assets above £120m to £500m and 0.30% thereafter (2021: the same basis). At 31 March 2022 £1,020,000 (5 April 2021: £710,000) was payable. The terms of the investment management agreement are detailed on page 25.

Notes to the Financial Statements (continued)

4 Other expenses

	2022 £'000	2021 £'000
Fees payable to Company's auditors for the audit of Company financial statements	46	34
Directors' remuneration (refer to Directors' Remuneration Report)	129	114
Company secretarial, administration and accountancy services	154	152
Depositary fees	152	92
Stock Exchange and FCA fees	50	39
Registrar fees	49	36
Custody services	37	25
General expenses	110	120
	727	612

The above expenses include irrecoverable VAT where appropriate.

5 Taxation

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Current tax:						
Overseas withholding tax	44	–	44	28	–	28
Corporation tax	466	–	466	368	–	368
Current tax charge	510	–	510	396	–	396

The tax assessed for the period is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Revenue £'000	Capital £'000	2022 Total £'000	Revenue £'000	Capital £'000	2021 Total £'000
Net return before tax	10,323	58,405	68,728	6,726	57,336	64,062
Return at the standard rate of UK corporation tax	1,961	11,097	13,058	1,278	10,894	12,172
Adjusted for the effects of:						
Non-taxable UK franked dividends	(1,495)	–	(1,495)	(936)	–	(936)
Non-taxable capital returns*	–	(11,097)	(11,097)	–	(10,894)	(10,894)
Irrecoverable overseas withholding tax	44	–	44	28	–	28
Prior year tax charge	–	–	–	26	–	26
Current tax charge	510	–	510	396	–	396

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

As the Company's unrelieved management expenses from previous years have been exhausted, a corporation tax charge of £466,000 is payable in respect of the period ended 31 March 2022 (Year to 5 April 2021: £342,000).

Notes to the Financial Statements (continued)

6 Dividends

	2022 £'000	2021 £'000
Ordinary shares		
2021 dividend paid 16 July 2021 (45p per share)	6,771	–
2020 dividend paid 17 July 2020 (42p per share)	–	4,901

The 2021 dividend was paid on 16 July 2021 to shareholders on the register on 11 June 2021 when there were 15,047,463 Ordinary shares in issue. The 2020 dividend was paid on 17 July 2020 to shareholders on the register on 5 June 2020 when there were 11,669,563 Ordinary shares.

The Directors have recommended to shareholders a final dividend of 46p per share for the period ended 31 March 2022. If approved, this dividend will be paid to shareholders on 15 July 2022. This dividend is subject to approval by shareholders at the AGM and, therefore, in accordance with FRS 102, it has not been included as a liability in these financial statements. The total estimated dividend to be paid, based on the number of shares in issue at 31 March 2022, is £9,610,000. However the actual amount of the dividend to be paid will be based on the number of shares in issue on 10 June 2022, the dividend record date.

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	9,813	6,330
Proposed final dividend of 46p for the period ended 31 March 2022	(9,610)	(6,771)
	203	(441)

7 Net return per Ordinary share

The net return per Ordinary share of 394.95p (2021: net return of 513.39p) is based on the total net return after taxation for the financial period of £68,218,000 (2021: net return of £63,666,000) and on 17,272,426 (2021: 12,401,011) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

Revenue return per Ordinary share of 56.81p (2021: 51.04p) is based on the net revenue return after taxation of £9,813,000 (2021: £6,330,000) and on 17,272,426 (2021: 12,401,011) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

Capital return per Ordinary share of 338.14p (2021: net return of 462.35p) is based on the net capital return for the financial period of £58,405,000 (2021: net gain of £57,336,000) and on 17,272,426 (2021: 12,401,011) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

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

Notes to the Financial Statements (continued)

8 Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Investments comprise –		
Listed investment companies:		
Ordinary shares UK	228,809	144,074
Ordinary shares overseas	164,043	86,094
Zero dividend preference shares UK	22,415	15,296
Listed UK government bonds	115,735	60,657
Listed UK non-government bonds	74,268	38,123
Listed overseas government bonds	289,572	167,180
Listed overseas non-government bonds	16,618	11,655
Exchange traded funds	80,433	71,151
	991,893	594,230
Opening cost of investments	556,030	450,139
Unrealised appreciation/(depreciation)	38,200	(5,288)
Opening fair value of investments	594,230	444,851
Additions at cost	840,165	363,098
Effective yield adjustment*	(135)	(581)
Sales proceeds	(500,242)	(270,590)
Gains on investments	57,875	57,452
Closing fair value of investments	991,893	594,230
Closing book cost of investments	934,906	556,030
Unrealised appreciation	56,987	38,200
	991,893	594,230
Realised gains on disposals	39,088	13,964
Increase in unrealised appreciation	18,787	43,488
Net gains on investments	57,875	57,452

The Company received proceeds of £500,242,000 (2021: £270,590,000) from investments sold in the period. The average book cost of these investments when they were purchased was £461,154,000 (2021: £256,626,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments. Included within these proceeds are capital repayments of £565,000 (2021: nil), which are considered to be capital dividends.

The geographical spread of investments is shown on page 9.

The total transaction costs on additions were £546,000 (2021: £417,000) and on sales were £124,000 (2021: £43,000). These costs are included in the book cost of acquisitions and the net proceeds of sales.

* See Income section of Accounting Policies on page 54 for a fuller description.

Notes to the Financial Statements (continued)

9 Debtors

	2022 £'000	2021 £'000
Other debtors	13,333	2,770
Prepayments and accrued income	2,041	1,116
Taxation	12	9
	15,386	3,895

10 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Other creditors	6,644	160
Accruals and deferred income	1,168	819
Corporation tax	243	342
	8,055	1,321

11 Called-up share capital

	2022 £'000	2021 £'000
Allotted and fully paid Ordinary shares of 25p each		
At the beginning of the period: 13,813,113 Ordinary shares (2021: 11,611,563)	3,453	2,903
Allotted during the period: 7,078,862 Ordinary shares (2021: 2,201,550)	1,770	550
At the end of the period: 20,891,975 Ordinary shares (2021: 13,813,113)	5,223	3,453

During the period to 31 March 2022, no Ordinary shares were repurchased by the Company (2021: None). No Ordinary shares (2021: 102,300) were re-issued from treasury by the Company (2021: £4,350,000). No shares were purchased for cancellation during the year (2021: nil) and at the year end no shares were held in treasury (2021: None).

During the period to 31 March 2022, 7,078,862 (2021: 2,201,550) new Ordinary shares were issued by the Company for cash proceeds totalling £354,342,000 (2021: £100,872,000).

12 Net asset value per Ordinary share

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

Net asset value per Ordinary share attributable to

	2022	2021
Ordinary shares	5,025.1p	4,590.2p

Net assets attributable to

	2022 £'000	2021 £'000
Ordinary shares	1,049,835	634,046

Net asset value per Ordinary share is based on the net assets, as shown above, and on 20,891,975 (2021: 13,813,113) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Notes to the Financial Statements (continued)

13 Reconciliation of net return on ordinary activities before tax to net cash inflow from operating activities

	2022 £'000	2021 £'000
Net return on ordinary activities before tax	68,728	64,062
Adjustments for:		
Capital return before tax	(58,405)	(57,336)
(Increase)/ decrease in prepayments	(32)	40
Increase in accruals and accrued income	349	114
Overseas withholding tax paid	(44)	(28)
Increase in recoverable tax	(3)	(5)
UK Corporation tax paid	(596)	(90)
(Increase)/decrease in dividends receivable	(228)	22
(Increase)/decrease in accrued interest	(540)	593
Realised gains/(losses) on foreign currency transactions	530	(116)
Net cash inflow from operating activities	9,759	7,256

14 Financial instruments

The Company has the following financial instruments:

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
– Investments held at fair value through profit and loss	991,893	594,230
Financial assets that are debt instruments measured at amortised cost		
– Cash at bank and at hand	50,611	37,242
– Other debtors	13,333	2,770
– Accrued income	1,978	1,085
	1,057,815	635,327
	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost		
– Other creditors	6,626	143
– Accruals	1,168	819
	7,794	962

The Company's financial instruments comprise:

- investment company ordinary shares, zero dividend preference shares, exchange traded funds and fixed and index-linked securities that are held in accordance with the Company's investment 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 risk, interest rate risk, foreign currency risk and credit risk. The Board regularly reviews and monitors the management of each of these risks and they are summarised below.

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

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Market risk

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

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

To mitigate these risks, the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined financial, market and sector analysis, with the emphasis on long-term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the systemic risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy. A list of the investments held by the Company is shown on pages 9 to 12. All investments are stated at bid value, which in the Directors' opinion is equal to fair value.

Price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the period and the net assets and net asset value per Ordinary share to an increase or decrease of 10% (2021: 5%) in market prices. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's investments at the Statement of Financial Position date with all other variables held constant.

	2022 10% increase in market prices £'000	2022 10% decrease in market prices £'000	2021 5% increase in market prices £'000	2021 5% decrease in market prices £'000
Income Statement – net return after tax				
Revenue return	(294)	294	(105)	105
Capital return	99,190	(99,190)	29,712	(29,712)
Total return after taxation	98,896	(98,896)	29,607	(29,607)
Net assets	98,896	(98,896)	29,607	(29,607)
Net asset value per Ordinary share	473.36p	(473.36)p	214.34p	(214.34)p

Interest rate risk

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

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

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Interest rate sensitivity

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

	2022 1% increase in interest rates £'000	2022 1% decrease in interest rates £'000	2021 1% increase in interest rates £'000	2021 1% decrease in interest rates £'000
Income Statement – net return after tax				
Revenue return	410	(410)	301	(301)
Total return after taxation	410	(410)	301	(301)
Net assets	410	(410)	301	(301)
Net asset value per Ordinary share	1.96p	(1.96)p	2.18p	(2.18)p

The interest rate profile of the Company's assets at 31 March 2022 was as follows:

	Total (as per Statement of Financial Position) £'000	Floating rate £'000	Index- linked £'000	Other fixed rate £'000	Assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment trusts & other funds	495,700	–	–	–	495,700	–	–
UK index-linked government bonds	75,146	–	75,146	–	–	0.38	1.87
UK index-linked non-government bonds	18,175	–	18,175	–	–	3.64	1.99
UK government bonds	40,589	–	–	–	40,589	–	–
UK non-government bonds	52,825	–	–	52,825	–	3.93	2.21
Overseas index-linked government bonds	289,572	–	289,572	–	–	0.68	8.33
Overseas index-linked non-government bonds	4,276	–	4,276	–	–	1.44	7.71
Overseas non-government bonds	15,610	–	–	15,610	–	2.99	1.88
Invested funds	991,893	–	387,169	68,435	536,289		
Cash at bank	50,611	50,611	–	–	–	–	–
Other debtors	15,386	–	–	–	15,386	–	–
Liabilities							
Creditors	(8,055)	–	–	–	(8,055)	–	–
Total net assets	1,049,835	50,611	387,169	68,435	543,620		

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

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

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

Fair value of financial assets and liabilities

Financial Reporting Standard 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The Company's assets are measured at fair value through the Income Statement. The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 March 2022 as follows:

Financial assets at fair value through profit or loss	2022				2021			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Quoted securities	988,276	2,842	–	991,118	593,804	–	–	593,804
Delisted equities	–	–	775	775	–	–	426	426
Net fair value	988,276	2,842	775	991,893	593,804	–	426	594,230

Quoted equities included in fair value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments has been determined by reference to their quoted bid prices at the reporting date.

Delisted investments

The fair value of the Company's investments in unquoted stocks have been determined by reference to primary valuation techniques described in note 1(b).

During the period to 31 March 2022, two assets (Gabelli Value Plus Investment Trust and Weiss Korea Opportunities Fund (Realisation Shares)) were moved from Level 1 to Level 3 as they delisted. During 2021 one asset (Better Capital PCC) was moved from Level 1 to Level 3 as it delisted.

A reconciliation of fair value measurements in Level 3 is set out in the following table:

	2022 Total £'000	2021 Total £'000
Opening balance	426	540
Purchases	–	–
Sales	(9,949)	–
Transfers	9,335	218
Total gains/(losses) on investments in the Income Statement:		
on assets sold	614	–
on assets held at the end of the year	349	(332)
Closing balance	775	426

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:

	2022 Investments £'000	2022 Accrued interest £'000	2021 Investments £'000	2021 Accrued interest £'000
Euro	78,916	5	32,884	–
US Dollar	282,579	473	145,690	401
Swedish Krona	39,449	50	26,342	27
Norwegian Krone	7,104	–	–	–
Australian Dollar	7,926	13	2,499	4
Japanese Yen	36,283	2	20,188	2
	452,257	543	227,603	434

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

Foreign currency sensitivity

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

	2022 10% appreciation of sterling £'000	2022 10% depreciation of sterling £'000	2021 10% appreciation of sterling £'000	2021 10% depreciation of sterling £'000
Income statement – net return after taxation				
Revenue return	(399)	399	(358)	358
Capital return	(45,226)	45,226	(22,760)	22,760
Total return after taxation	(45,625)	45,625	(23,118)	23,118
Net assets	(45,625)	45,625	(23,118)	23,118
Net asset value per Ordinary share	(218.39)p	218.39p	(167.36)p	167.36p

Liquidity risk

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

Credit risk

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

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

Credit risk exposure

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

	2022 Statement of Financial Position £'000	2022 Maximum exposure £'000	2021 Statement of Financial Position £'000	2021 Maximum exposure £'000
Fixed assets – investments at fair value through profit and loss	991,893	496,193	594,230	277,095
Debtors – amounts due from the custodian, dividends and interest receivable	15,311	15,311	3,856	3,856
Cash at bank	50,611	50,611	37,242	37,242
	1,057,815	562,115	635,328	318,193

Notes to the Financial Statements (continued)

14 Financial instruments (continued)

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 capital and income return to its equity shareholders. The Company's capital comprises its equity share capital and reserves.

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

15 Related party transactions

With the exception of the management fee (as disclosed on page 25), and the Directors' fees and shareholdings (as disclosed in the Directors Remuneration Report on pages 35 and 38), there have been no related party transactions in the period ended 31 March 2022.

16 Company information

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the fifty-ninth Annual General Meeting of the Company will be held at the offices of J.P. Morgan, The Great Hall, 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 12 July 2022 at 11.00 a.m. for the following purposes:

Ordinary business

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

1. To receive the Report of the Directors and the audited financial statements for the period ended 31 March 2022.
2. To approve the Directors' Remuneration Report for the period ended 31 March 2022, together with the report of the auditor thereon.
3. To approve the remuneration policy of the Company.
4. To declare a final dividend of 46 pence per Ordinary share.
5. To re-elect Jean Matterson as a Director.
6. To re-elect Robin Archibald as a Director.
7. To re-elect Paul Yates as a Director.
8. To re-elect Wendy Colquhoun as a Director.
9. To re-appoint BDO LLP as auditors of the Company.
10. 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 11 and 12 will be proposed as ordinary resolutions and resolutions 13 to 16 will be proposed as special resolutions:

Ordinary resolution

Aggregate Directors' Remunerations

11. To increase the aggregate limit on Directors' remuneration from £165,000 to £180,000 per annum.

Directors' authority to allot shares

12. THAT the Directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal value of £1,876,264.00 (being one third of the issued share capital of the Company as at 26 May 2022, being the latest practicable date prior to the publication of this Notice, and representing 7,505,056 Ordinary shares of 25 pence each), provided that such authority shall

expire at the conclusion of the AGM of the Company to be held in 2023, 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

13. 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 12 above or otherwise as if section 561 of the Act did not apply to any such allotment, and be empowered pursuant to section 573 of the Act to sell relevant equity securities (within the meaning of section 560 of the Act) if, immediately before the sale, such equity securities were held by the Company as treasury shares (as defined in section 724 of the Act ("treasury shares")), for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares, in connection with and pursuant to:
 - a) an offer of equity securities open for acceptance for a period fixed by the Board where the equity securities respectively attributable to the interests of holders of Ordinary shares of 25 pence each in the Company (the "Ordinary shares") are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Board may consider necessary, appropriate or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
 - b) otherwise than pursuant to sub-paragraph a) above, up to an aggregate nominal value of £1,125,758.50 or, if less, the number representing 20% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed; and

Notice of Annual General Meeting (continued)

this power shall expire at the conclusion of the AGM of the Company to be held in 2023, unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

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

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of Ordinary shares of 25 pence each in the Company (the "Ordinary shares"), provided that:
- a) the maximum aggregate number of Ordinary shares to be purchased shall be 3,375,023 or, if less, the number representing 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;
 - b) the minimum price which may be paid for an Ordinary share shall be 25 pence;
 - c) the maximum price, excluding expenses, which may be paid for an Ordinary share shall be an amount equal to the higher of:
 - (i) 105% of the average of the middle market quotations for an Ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such purchase is made; and
 - (ii) the higher of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out;
 - d) the authority hereby conferred shall expire at the conclusion of the AGM of the Company to be held in 2023 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.

Cancellation of the Company's share premium account

15. THAT, subject to the confirmation of the Court of Judicature of Northern Ireland (the "Court") (i) the share capital of the Company be reduced by cancelling the Company's entire share premium account as at the date of the final hearing before the Court at which confirmation of the said cancellation is sought; and (ii) the credit thereby arising in the Company's books of account be available as distributable profits to be used for all purposes permitted by the Companies Act 2006 and The Companies (Reduction of Share Capital) Order 2008.

Notice of general meetings

16. 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

Juniper Partners Company Secretary

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

27 May 2022

Location of Annual General Meeting

J.P. Morgan
The Great Hall
60 Victoria Embankment
London EC4Y 0JP
at 11.00 a.m. on Tuesday, 12 July 2022

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

Notice of Annual General Meeting (continued)

Notes

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

To have the right to vote at the AGM (and also for the purposes of calculating how many votes a member may cast on a poll) shareholders must be registered in the Register of Members of the Company no later than 6.30 p.m. on the day which is two days (excluding non-working days) before the day of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the meeting.
2. A form of proxy is enclosed with this notice, together with a pre-paid reply envelope. Completion and return of such form of proxy either by post or through www.investorcentre.co.uk/eproxy or submission of any CREST Proxy Instruction (as described in note 7 below) will not prevent a member from subsequently attending the AGM and voting in person if they so wish.
3. To be valid any form of proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed, or certified copy thereof, must be received by post or (during normal business hours only) by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or through www.investorcentre.co.uk/eproxy or no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
4. A person who is not a member of the Company, but has been nominated by a member of the Company (the "relevant member") under section 146 of the Companies Act 2006 to enjoy information rights (the "nominated person"), does not have a right to appoint any proxies under note 1 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the AGM. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he/she may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights. It is important to remember that a nominated person's main contact in terms of their investment remains as the relevant member (or perhaps the custodian or broker who administers the investment) and a nominated person should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and holding (including any administration thereof). The only exception to this is where the Company writes to a nominated person directly for a response.
5. In the case of joint holders the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com).

The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. Any member attending the AGM has the right to ask questions. Shareholders are also invited to submit their questions to the Board in advance and the answers to these questions will be posted on our website after the AGM. Please submit questions to the Board using the email address company.secretary@capitalgearingtrust.com.
9. Resolutions 1 to 11 are proposed as ordinary resolutions which, to be passed, require more than half of the votes cast to be in favour of the resolution. Resolutions 12 to 16 are proposed as special resolutions which, to be passed, require at least three-quarters of the votes cast to be in favour of the resolution.
10. As at 26 May 2022 (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 22,515,170.
11. Biographical details of the Directors seeking election and re-election can be found at page 13 of the report and financial statements.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.capitalgearingtrust.com.
13. The members of the Company may require the Company (without payment) to publish, on the website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the registered address of the Company.

Shareholder Information

Financial Calendar

March	May	July	November
Financial year end (31st)	Annual results for the year ended 31st March 2022 published	Annual General Meeting	Interim results for the six months ended 30th September
	Annual Report published	Dividend payment date	Half Year Report published

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.

Frequency of NAV Publication

Daily

Share Price

The Company's share price can be found on the London Stock Exchange website by using the Company's TIDM code 'CGT' within the price search facility. The share price is also available on the Company's website.

How to Invest

Via your bank, stockbroker or other financial advisor.

Sources of Further Information

Company's website www.capitalgearingtrust.com
 AIC www.theaic.co.uk
 For registrar queries contact Computershare on 0370 873 5864.

Share Identification Codes

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

Nominee Share Code

The Company will arrange for copies of shareholder documents to be made available on request to interested parties and operators of nominee accounts.

Disability Act

Access for the hard of hearing to the services of the registrar to the Company, Computershare Investor Services PLC, is provided by their contact centre's text phone service on 0370 702 0005. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

Data Protection

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

Key Information Document

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

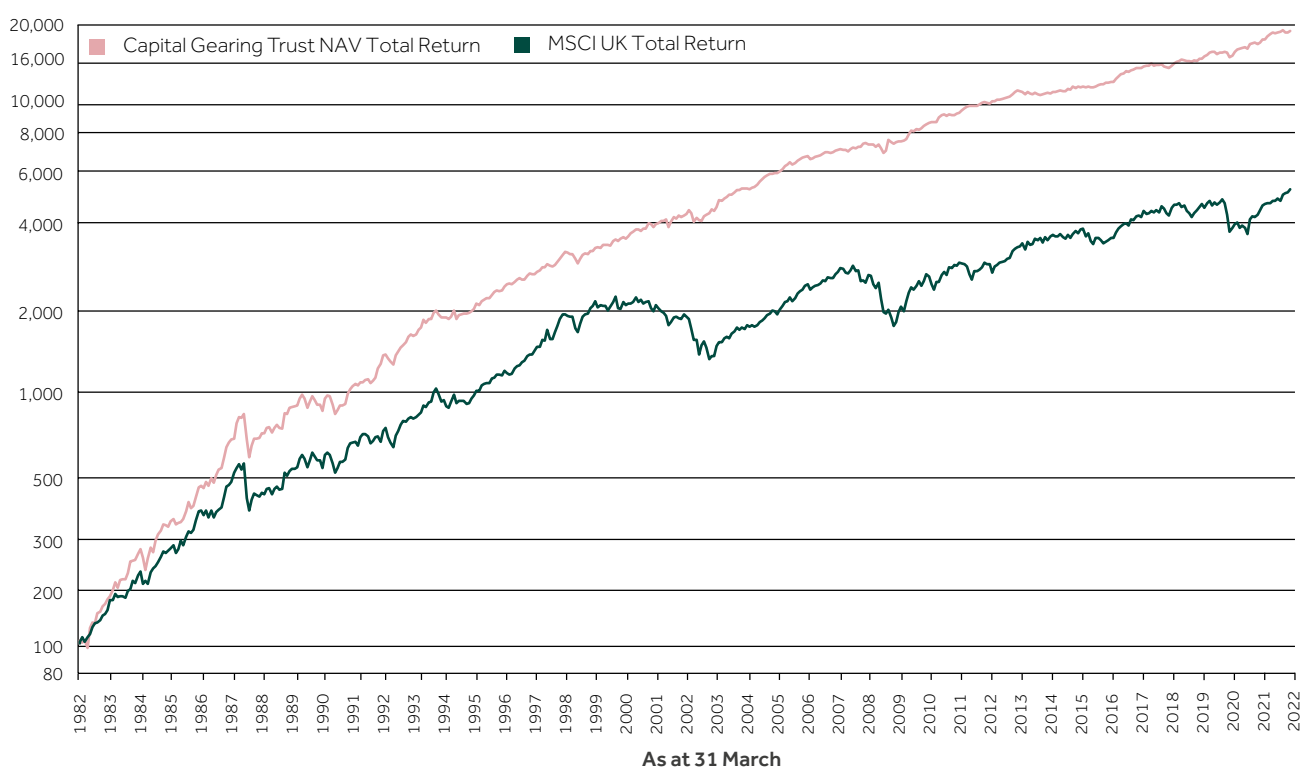
Shareholder Information (continued)

Non-Mainstream Pooled Investment Rules

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

Net asset value performance 1982 to 2022

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



*Source: CG Asset Management Limited

Alternative Investment Fund Managers Directive ('AIFMD')

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

Although the investment policy of the Company permits gearing, including the use of derivatives, the Board has no current intention to employ gearing.

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, CG Asset Management, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ending 30 April 2021) are available from CG Asset Management on request.

Shareholder Information (continued)

Leverage, for the purposes of the AIFM Directive, is any method which increases the company's exposure to stockmarkets whether through borrowings, derivatives, or any other means. It is expressed as a ratio of the Company's exposure to its NAV. In summary, the gross method measures the Company's exposure before applying hedging or netting arrangements. The commitment method allows certain hedging or netting arrangements to be offset. As at 31 March 2022 and 5 April 2021, the Company had no hedging or netting arrangements. The Company's maximum and actual leverage levels at 31 March 2022 and 5 April 2021 are shown below:

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

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

Shareholder Analysis

Beneficial owner analysis

	31 March 2022 % of Issued share capital	5 April 2021 % of Issued share capital
Platforms/Execution only brokers	40.3	35.1
Private client stockbrokers	18.2	22.1
Wealth management	14.7	14.8
Private client fund management	6.4	6.1
Private investors	3.5	5.2
Asset managers	3.5	3.8
Other*	13.4	12.9
	100.0	100.0

Source: RD:IR

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

Beware of Share Fraud

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

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

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

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

Shareholder Information (continued)

Alternative Performance Measures

The Alternative Performance Measures ('APMs') detailed below are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant to an investment trust. Other terms detailed below are for reference.

NAV Total Return		Net asset value total return measures the increase or decrease in net asset value per share plus the dividends paid in the period, which are assumed to be reinvested at the NAV at the time that the shares are quoted ex-dividend.	
		2022	2021
Opening NAV per share	A	4,590.2	4,084.2p
Closing NAV per share	B	5,025.1	4,590.2p
% change in NAV	$C=(B-A)/A$	9.5%	12.4%
Impact of dividend reinvested	D	1.0%	1.2%
NAV total return	$E=C+D$	10.5%	13.6%

Share Price Total Return		Share price total return measures the increase or decrease in share price plus the dividends paid in the period, which are assumed to be reinvested at the share price at the time that the shares are quoted ex-dividend.	
		2022	2021
Opening share price	A	4,715.0p	4180.0p
Closing share price	B	5,140.0p	4715.0p
% change in share price	$C=(B-A)/A$	9.0%	12.8%
Impact of dividend reinvested	D	1.0%	1.1%
Share price total return	$E=C+D$	10.0%	13.9%

Premium/Discount to NAV		The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.	
		2022	2021
NAV per share	A	5,025.1p	4,590.2p
Share price	B	5,140.0p	4,715.0p
Premium	$C=(B-A)/A$	2.3%	2.7%

Shareholder Information (continued)

MSCI UK Index Total Return	The return on the index, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend.
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Ongoing Charges	The Company publishes its ongoing charges ('ongoing charges ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses expressed as a percentage of the average daily net assets during the year.
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The following calculation shows the ongoing charges ratio excluding the costs suffered within underlying investee funds:

		2022 £0,000	2021 £0,000
Investment Management fee		3,627	2,535
Administrative expense		727	612
Fixed element of DCP fee		30	30
Ongoing charges	A	4,384	3,177
Average net assets	B	848,922	551,147
Ongoing charges ratio excluding costs of underlying funds	C=A/B	0.52%	0.58%

The following calculation shows the additional costs suffered within underlying investee funds and the ongoing charges ratio including these costs:

		2022	2021
Ongoing cost ratio from above	A	0.52%	0.58%
Impact of underlying investee fund costs	B	0.26%	0.32%
Ongoing charges ratio including costs of underlying funds	C=A+B	0.78%	0.90%

Glossary of Terms and Definitions

Alternative Performance Measures	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. Further information is provided above. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment company.
DCP	A discount and premium control policy ('DCP') that seeks to ensure that the Company's shares trade at close to net asset value, in normal market conditions, through a combination of share buy-backs and share issues. The DCP creates liquidity in the shares and should reduce premium/discount volatility.
Drawdown	A maximum drawdown is the maximum observed negative period of return from a peak to a trough, as measured at month end NAV. Maximum drawdown is an indicator of downside risk that can be used to assess the relative riskiness of one portfolio relative to another.
Earnings per share	The earnings per share ('EPS') is calculated by dividing the net revenue return attributable to equity shareholders by the weighted average number of shares in issue.
Equity ETF	An exchange-traded fund ('ETF') is a type of pooled investment security that operates similarly to a mutual fund. Typically, ETFs will track a particular index, sector, commodity, or other asset, but unlike mutual funds, ETFs can be purchased or sold on a stock exchange the same way that a regular listed stock can. The price of an ETF's shares will change throughout the trading day reflecting the underlying value of the security.
Market Capitalisation	The value of the Company's total market value of its shares and is calculated by multiplying the total number of shares in issue with the current share price.
Net Asset Value ('NAV')	The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.
Ongoing Charges	The Company publishes its ongoing charges ('ongoing charges ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses are expressed as a percentage of the average daily net assets during the year.
Premium/Discount to NAV	The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.
Total Return	Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend either in the net asset value or share price of the Company.
Treasury shares	Shares that have been repurchased by the Company but not cancelled. These shares are held in a treasury account and remain part of the Company's share capital but do not carry any rights to receive dividends or vote at general meetings.

Capital Gearing Trust P.l.c.

Carson McDowell LLP

Murray House

Murray Street

Belfast BT1 6DN

www.capitalgearingtrust.com