

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, solicitor, accountant, bank manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your shares in Capital Gearing Trust P.I.c. (the “**Company**”), please send this document, together with the accompanying form of proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

CAPITAL GEARING TRUST P.L.C.

(Incorporated and registered in Northern Ireland with registered number NI005574 and registered as an investment company under section 833 of the Companies Act 2006)

Cancellation of Share Premium Account, Renewal of Share Buyback Authority and Notice of General Meeting

Notice of the general meeting of the Company to be held on Tuesday, 5 December 2023 at 10.30 a.m. (the “**General Meeting**”) at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR is set out at the end of this document.

Shareholders are strongly encouraged to vote in favour of the Resolutions by using the enclosed form of proxy or by voting online. Those who do not hold their Ordinary Shares directly (including those who have invested through investor platforms) are encouraged to instruct their nominee to vote on their behalf in good time, to ensure that their votes, which are important to the Company, are received and taken into account. If Investor platforms have instructions on how votes should be submitted and the deadline for receipt, please note those instructions and also note that the deadline is likely to be earlier than the time and date for receipt of forms of proxy set out below.

To be valid, the form of proxy accompanying this document must be completed and returned, in accordance with the instructions printed on it, so as to be received by the Company’s registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or lodged at www.investorcentre.co.uk/eproxy as soon as possible, but in any event by not later than 10.30 a.m. on Friday, 1 December 2023.

If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy for the General Meeting by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual issued by Euroclear UK & International Limited so that it is received by the registrar (under CREST Participation ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of General Meeting. 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.

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EXPECTED TIMETABLE

	2023
Latest time and date for receipt of forms of proxy	10.30 a.m. on 1 December
General Meeting	10.30 a.m. on 5 December

Those who do not hold their Ordinary Shares directly (including those who have invested through investor platforms) are encouraged to instruct their nominee to vote on their behalf in good time, to ensure that their votes, which are important to the Company, are received and taken into account. If Investor platforms have instructions on how votes should be submitted and the deadline for receipt, please note those instructions and also note that the deadline is likely to be earlier than the time and date for receipt of forms of proxy set out in the expected timetable above.

PART 1 – LETTER FROM THE CHAIRMAN

CAPITAL GEARING TRUST P.L.C.

(Incorporated and registered in Northern Ireland with registered number NI005574 and registered as an investment company under section 833 of the Companies Act 2006)

Directors:

J G K Matterson (*Chairman*)
R Archibald
R Anand
W M Colquhoun
P T Yates

Registered Office:

Murray House
Murray Street
Belfast BT1 6DN

15 November 2023

To Shareholders

Dear Sir or Madam

Cancellation of share premium account, renewal of share buyback authority and notice of General Meeting

1 Introduction

Further to the Company's announcement on 31 October 2023 and the Company's subsequent interim results announcement on 13 November 2023 and, in particular, the statement made by the Chairman therein (the "**Chairman's Statement**"), the Company is now seeking to: (i) cancel the amount standing to the credit of its share premium account in order to create distributable reserves; and (ii) renew its Shareholder authority to buy back Ordinary Shares (the "**Proposals**").

The Company has successfully operated a discount control policy (the "**DCP**") for a number of years, with the aim of ensuring that, in normal market conditions, the Ordinary Shares trade consistently close to their underlying net asset value per share. The DCP encompasses both share issuances and most recently, share buybacks. As announced on 31 October 2023, share buybacks have recently been constrained because of the Company's limited distributable reserves. The Proposals seek to ensure that, once the Company's share premium account is cancelled, with the resulting sum credited to the Company's distributable reserves, the Company will be able to recommence the normal operation of the DCP with the maximum permitted authority to buy back Ordinary Shares.

The purpose of this document is, therefore, to provide you with details and to explain the benefits of the Proposals, to convene the General Meeting at which the required Shareholder approvals will be sought for the Proposals, and to set out the reasons why the Directors are recommending that you vote in favour of each of the Resolutions at the General Meeting.

2 Background to, and reasons for, the Proposals

(i) Proposed cancellation of share premium account

The Company is a closed-ended investment company, the shares of which have been admitted to trading on the London Stock Exchange since 1973. It is registered as an investment company under Section 833 of the Companies Act and conducts its affairs so as to enable it to continue to qualify as an investment trust. As mentioned in the "*Introduction*" section above, the Company operates a DCP whereby the Company aims to issue and/or purchase Ordinary Shares to ensure that, in normal market conditions, the Ordinary Shares trade consistently close to their underlying net asset value per share. Operation of the DCP requires the Company to have sufficient distributable reserves available for buying back its Ordinary Shares. Over the last twelve months the Company has engaged in substantial buyback activity, with 3,103,136 Ordinary Shares having been bought back at the cost of £142,083,122.

The Company has built up a substantial share premium account through a high level of share issuance since the introduction of the DCP at the Company's annual general meeting in 2015. Since 8 July 2015, the Company has issued 23,376,107 Ordinary Shares, raising total gross proceeds of £1,098,621,669. As at the Latest Practicable Date, the amount standing to the credit of the Company's share premium account is £1,101,753,000.

The share premium account is a non-distributable reserve. The Company is, therefore, unable to use the amount standing to the credit of its share premium account for the purpose of, among other things, funding share buybacks or making distributions by way of dividend to Shareholders. However, the Companies Act does permit the Company (subject to the approval of Shareholders and the consent of the Court) to cancel or reduce its share premium account and credit the resulting sum (less an amount equal to certain of the Company's liabilities as at that date) to the Company's distributable reserves. Completion of this process will provide the Company with significant additional distributable reserves.

(ii) Current reserves position

As shown in the reserves figure included in the Company's announcement of 31 October 2023, the Company's available distributable reserves stood at approximately £23.8 million (as at 30 September 2023). This figure shows that the Company currently has limited distributable reserves available. The distributable reserves consist of revenue reserves and realised capital reserves. Out of the distributable reserves of approximately £23.8 million as at 30 September 2023, approximately £12.5 million were revenue reserves. Distributable reserves are required to undertake continued buybacks of Ordinary Shares in accordance with the DCP and to pay the Company's annual dividend, which is normally paid out in July every year. The Company is continuing to earn revenue and currently the Board cannot predict what the likely year-end income position will be as at 31 March 2024, or the amount of the Company's next annual dividend payment. The Board has, therefore, determined that the Company's revenue reserve and net income still to be earned should be preserved for dividend purposes. Consequently, the Company's already limited share buyback capacity under the DCP, which it announced on 31 October 2023, will be scaled back accordingly. Once the Company's share premium account has been cancelled however, buybacks will be restored and the Company will have very substantial additional distributable reserves available to effect share buybacks under the DCP for the foreseeable future.

As explained in the Chairman's Statement, the Board previously sought a similar share premium cancellation authority at the Company's annual general meeting held on 12 July 2022. This was approved by Shareholders, but due to a series of errors and omissions on the part of third parties, this share premium cancellation process failed to progress through to a successful conclusion and the Court's consent was never obtained. As a result, the Board has decided to take direct control over this process, hence it is now seeking fresh Shareholder authority at the General Meeting to cancel the entire amount standing to the credit of the Company's share premium account (such amount being £1,101,753,000 as at the Latest Practicable Date). Conditional upon Shareholder authority being obtained, the Company will make a fresh application to the Court to seek the Court's consent to such cancellation.

The cancellation of the share premium account requires the passing of a special resolution at the General Meeting and subsequent approval of the Court. The cancellation will not be effective until the order of the Court confirming the cancellation has been registered with the registrar of companies.

If the special resolution proposing to cancel the share premium account of the Company is passed on the date of the General Meeting (being 5 December 2023), it is the intention of the Company that the requisite application will be lodged with the Court shortly thereafter, with the anticipation, subject always to Court availability and Court timings, that the order of the Court confirming the cancellation will be received in late January or early February 2024. The Board currently does not foresee any reason for the Court to withhold its consent to the proposed cancellation of the Company's share premium account.

(iii) Proposed renewal of share buyback authority

At the Company's annual general meeting held on 5 July 2023 (the "**2023 AGM Date**"), Shareholders granted the Company authority to buy back up to 3,902,760 Ordinary Shares (representing 14.99 per cent. of the issued share capital of the Company as at the 2023 AGM Date).

Since the 2023 AGM Date, the Company has bought back 1,825,407 Ordinary Shares for a total consideration of £82,825,956. As at the Latest Practicable Date, the Company has the capacity to buy back only a further 1,967,442 Ordinary Shares.

The Board is, therefore, proposing to seek the authority of Shareholders to renew the Company's authority to buy back Ordinary Shares, with such renewed authority expiring at the conclusion of the Company's annual general meeting to be held in 2024 (unless such authority is further renewed prior to such time).

The renewal of the Company's authority to buy back Ordinary Shares is conditional upon the passing of a special resolution at the General Meeting.

If the special resolution granting the Company authority to buy back Ordinary Shares is passed, the Board will only exercise such authority if it is of the opinion that a buyback of Ordinary Shares would result in an enhancement to the net asset value per share of the Company and therefore have a positive effect on shareholder funds. Any buybacks will be conducted in accordance with the DCP.

Ordinary Shares bought back by the Company are intended to be held in treasury for resale into the market as part of the DCP during more favourable market conditions at values at a premium to net asset value to avoid any dilution to Shareholders.

3 General Meeting

The Proposals are conditional on the approval of Shareholders. The Directors are, therefore, convening the General Meeting to seek the approval of Shareholders for the Proposals. The General Meeting will be held at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR on 5 December 2023 at 10.30 a.m.

Given the previous delays in progressing the share premium cancellation process to a successful conclusion and given the current limited capacity to continue to buy back further Ordinary Shares in accordance with the DCP, the Board believes that there is sufficient urgency to justify using their authority to call the General Meeting on 14 clear days' notice and that it is in the best interests of Shareholders to do so.

Each of the Resolutions is being proposed as a special resolution. A special resolution requires a majority of at least 75 per cent. of members present in person or by proxy (and who are also entitled to vote) to vote in favour in order for it to be passed.

In accordance with the Company's articles of association, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held. In order to ensure that a quorum is present at the General Meeting, it is necessary for two Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a representative).

The formal notice convening the General Meeting is set out at the end of this document.

Shareholders are entitled to attend and vote at the General Meeting. Shareholders are also invited to send any questions to the Company at the following email address, company.secretary@capitalgearingtrust.com, to be received by the Company no later than 5.00 p.m. on 29 November 2023 in order that any such questions may be addressed prior to the proxy vote closing.

4 Action to be taken in respect of the General Meeting

The Board would strongly encourage all shareholders to exercise their votes in advance of the General Meeting. Shareholders may vote online or alternatively will find enclosed a form of proxy for use in connection with the General Meeting. Shareholders who wish to vote using the form of proxy are requested to complete, sign, and return the form of proxy as soon as possible, in accordance with the instructions printed on it.

If you do not hold your Ordinary Shares directly (including, if you have invested through investor platforms), you are encouraged to instruct your nominee to vote on your behalf in good time, to ensure that your vote, which is important to the Company, is received and taken into account. If Investor platforms have instructions on how votes should be submitted and the deadline for receipt, please note those instructions and also note that the deadline set out therein.

To be valid, the enclosed form of proxy must be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or lodged at www.investorcentre.co.uk/eproxy as soon as possible and, in any event, so as to arrive by not later than 10.30 a.m. on Friday, 1 December 2023.

Shareholders are requested to appoint a proxy whether or not they wish to attend the General Meeting. The appointment of a proxy will not prevent Shareholders from attending the General Meeting and voting in person should they so wish.

5 Recommendation

The Board considers that the Proposals are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their holdings of Ordinary Shares, amounting to 26,912 Ordinary Shares in aggregate (representing approximately 0.1 per cent. of the issued share capital of the Company as at the date of this document).

Yours faithfully

J G K Matterson
(Chairman)

PART 2 – DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

2023 AGM Date	5 July 2023, being the date of the Company's annual general meeting in 2023
Chairman's Statement	the statement made by the Chairman in the interim results of the Company announced on 13 November 2023
Companies Act	the Companies Act 2006, as amended from time to time
Company	Capital Gearing Trust P.l.c.
Court	the Court of Judicature of Northern Ireland
CREST	the relevant system as defined in the CREST Regulations in respect of which Euroclear UK & International Limited is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
DCP	the discount/premium control policy operated by the Company which aims to purchase or issue shares to ensure, in normal market conditions, that the shares trade consistently close to net asset value per share
Directors or Board	the board of directors of the Company
General Meeting	the general meeting of the Company to be held at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR on 5 December 2023 at 10.30 a.m. for the purpose of approving the Resolutions
Latest Practicable Date	14 November 2023
Ordinary Shares	ordinary shares of 25 pence each in the capital of the Company
Proposals	the proposals of the Company, as set out in this document, to (i) cancel the amount standing to the credit of its share premium account in order to create distributable reserves and (ii) renew its Shareholder authority to buy back Ordinary Shares
Register of Members	the register of members of the Company
Resolutions	the special resolutions to be proposed at the General Meeting in connection with the Proposals
Shareholder	a holder of Ordinary Shares

NOTICE OF GENERAL MEETING

CAPITAL GEARING TRUST P.L.C.

(Incorporated and registered in Northern Ireland with registered number NI005574 and registered as an investment company under section 833 of the Companies Act 2006)

Notice is hereby given that a General Meeting of Capital Gearing Trust P.L.C. (the “**Company**”) will be held at 10.30 a.m. on 5 December 2023 at the offices of Juniper Partners Limited, 28 Walker Street, Edinburgh EH3 7HR to consider and, if thought fit, pass the following resolutions set out below, which will each be proposed as a special resolution:

SPECIAL RESOLUTIONS

1. **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.

2. **THAT**, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the “**Companies Act**”) to make market purchases (within the meaning of section 693 of the Companies 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 3,519,221 or, if less, the number representing 14.99 per cent. 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 Shares shall be an amount equal to the higher of:
 - i. 105 per cent. 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 annual general meeting of the Company to be held in 2024 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.

By Order of the Board

Juniper Partners Limited
Company Secretary

Registered Office:

Murray House
Murray Street
Belfast BT1 6DN

Dated 15 November 2023

Notes:

1. As a Shareholder, you are entitled to attend and vote at this General Meeting. You may also appoint one or more proxies to attend, speak and vote on your behalf. Such a proxy need not also be a member of the Company but must attend the General Meeting to represent you or you may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. If you do not hold your Ordinary Shares directly you are encouraged to arrange for your nominee to vote on your behalf.
2. A form of proxy is enclosed with this notice, together with a pre-paid reply envelope. Alternatively, proxies may be lodged at www.investorcentre.co.uk/eproxy. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a 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 no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting 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 General Meeting. 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.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
5. To have the right to vote at the General Meeting (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 General Meeting 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.
6. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**"), you may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights (a "**Relevant Shareholder**") to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to a Nominated Person.
7. Under section 319A of the Companies Act 2006, any member attending the meeting has a right to ask questions. The Company must answer any question you ask relating to the business being dealt with at the meeting unless: (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. As at 14 November 2023 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 26,580,263 Ordinary Shares carrying one vote each, of which 3,103,136 Ordinary Shares are held in treasury. Therefore, the total number of shares in the Company with voting rights as at 14 November 2023 was 23,477,127 Ordinary Shares.
9. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, can be found at <https://www.capitalgearingtrust.com/investor-information>.
10. A quorum consisting of two or more shareholders present in person or by proxy or by corporate representative is required for the General Meeting. If, within five minutes (or such longer interval as the Chairman in their absolute discretion thinks fit) after the time appointed for the General Meeting, a quorum is not present the General Meeting shall be adjourned to a day at least 10 clear days after the General Meeting and to a time and place as the Chairman may determine and, subject to the Company's articles of association, no notice of adjournment need be given at any such adjourned meeting. Those shareholders present in person or by proxy or by corporate representative shall constitute the quorum at any such adjourned meeting.