

# **CAPITAL GEARING TRUST P.L.C.**

## **Half-Year Financial Report**

For the six months ended 5 October 2013

# Investment Objective

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

## Contents

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1-4	Interim Management Report
5	Distribution of Investment Funds
6-8	Investments of the Company
9	Independent Review Report
10-18	Financial Statements (unaudited)
10-11	Income Statement
10	Statement of Total Recognised Gains and Losses
12-13	Reconciliation of Movements in Shareholders' Funds
14	Balance Sheet
15	Cash Flow Statement
16-18	Notes to the Financial Statements
19	Shareholder Information
20	Directory



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. 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 results which may therefore differ to those indicated within this report. Market and currency fluctuations may occur which may in turn have an impact on the Company's underlying investments. Past performance is no guarantee of future performance. Investments 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.

# Interim Management Report

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## Chairman's Overview

As at the 5 October 2013, the net asset value per share was 3,097.4p. For the reasons explained in more detail in this report, the past six months have proved to be a very difficult period for investors holding defensive assets. Against a background of rising bond yields and a stronger Sterling exchange rate, the net asset value per share fell by 3.2% since 5 April 2013. Bond markets fell more heavily than this, while equity markets moved ahead, with most leading indices showing modest growth. Notwithstanding the negative short-term performance, the portfolio remains well positioned to deliver absolute returns to investors over the longer term. Moreover, mindful that the Company's stated aim is to preserve capital as well as to grow its assets, a defensive strategy continues to be adopted.

## Board Refreshment

I am delighted to welcome Alastair Laing to the Board of Capital Gearing Trust P.I.c. Since joining CG Asset Management Limited ("CGAM") in 2010, Mr Laing has worked alongside Peter Spiller as our investment manager. A chartered accountant, Mr Laing, aged 36, joined CGAM from Hg Capital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. He is a graduate of Edinburgh University and was an MBA Scholar at London Business School.

I can also report that Mr Spiller, having served as a director since 1986, has indicated that he will not stand for re-election at the next AGM which will be held on 11 July 2014. He remains in his role as co-investment manager with Mr Laing and as Chief Executive of CGAM. The Board's aim is to refresh the governance of the Company; there will be no change in the investment management. Mr Spiller continues to enjoy actively managing the trust and his day-to-day role will remain unchanged.

## Investment Review

Excess liquidity associated with quantitative easing has pushed up all asset prices to levels that could not be justified in a normal interest rate environment. This poses specific challenges for asset allocators; safe haven assets trade at levels that provide limited safety at the same time as risk assets expose investors to potentially material capital loss. Which of these unedifying prospects should be chosen? The Company's asset allocation has remained little changed, broadly spread and defensively positioned with a focus on inflation protection.

The first half of the year proved to be a very difficult one for the defensive assets that make up a majority of the portfolio. The ripples caused by the potential future tapering of the quantitative easing programme in the US spread to all corners of the global debt markets. There was a marked rise in long interest rates and an associated fall in prices in all safe haven bond markets.

Index linked and conventional government bonds make up close to 50% of the portfolio, so the fund's performance has been poor during the six-month period. Fortunately the duration of these bonds was actively shortened ahead of the sell-off which helped to blunt the worst of the rate rise. Further headwinds were caused by the strength of the pound, as the Company has significant overseas holdings and all currency exposure is unhedged. Whilst it is scant consolation, at least a significant bear market in the largest asset class combined with a strong pound did not cause a more significant fall in the Company's net asset value.

# Interim Management Report (continued)

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## Investment Review (continued)

The fall would have been greater had the investment trust holdings, representing approximately 24% of the portfolio, not performed very strongly. A significant holding, Jupiter Green Investment Trust Plc, introduced a zero discount policy causing a strong increase in share price. Impax Asian Environmental Markets Plc, another large holding, liquidated and distributed proceeds to investors having previously traded on a wide discount. Indeed discounts on almost all investment trusts have narrowed, as the equity bull market matures, so on average discounts are now narrower than in 2007. As a result there have been limited new additions to the investment trust portfolio and typically those opportunities pursued have been low beta with limited or no discount risk.

The strength and duration of the equity bull market has allowed a number of the convertible debt holdings to be converted into equity. These include Aberdeen Asian Smaller Companies Investment Trust Plc and Standard Life Smaller Companies Trust Plc. With hindsight, fund returns would have been even better had the ordinary equity been held. However, on a risk-adjusted basis these convertible debt instruments have delivered strong returns and demonstrated their attraction within a risk-averse portfolio.

## Investment Outlook

The fear of inflation has slipped down the list of investors' concerns as time goes by, without the quantitative easing producing any notable acceleration in the indices of consumer prices. Nevertheless, the environment for inflation continues to deteriorate as money printing in the US, and now Japan, reaches ever greater magnitude. The decision to defer the taper in the USA underlines that point.

Admittedly the current rate of price increases is fairly stable, but it is at levels that are higher than would normally be expected at a time of large output gaps, with associated weak wage growth. A tighter labour market may be key to moving inflation above its current range. The consensus of economists appears to be that wages in the UK will pick up in the fourth quarter of 2014. However, there is a difference between real increases in salaries and merely maintaining real incomes. The latter alone would imply increases of 3% or so (using the RPI) and it may be difficult for employers to offer less this coming spring at a time of economic recovery. Higher inflation is inevitable given historic rates of printing, unless the vast quantities of securities purchased by central banks are sold back to the market with subsequent recessionary consequences. These recessionary consequences make reversal of the policy unlikely. A marked improvement in productivity could help offset some of the inflationary pressures; however recent history is discouraging. The portfolio therefore continues to emphasise inflation protected securities.

One feature that has been painful over the last six months has been the strength of sterling. That looks to be against the wishes of Governor Carney and unhelpful to growth in the UK. Against the US dollar, the pound looks expensive, especially since a recovering economy does not imply an early increase in interest rates. Indeed the whole policy of financial repression requires that interest rates remain well below the rate of inflation. Interestingly, the 2015 UK elections do not seem to be important to the currency markets yet; a sharp swing to the left at the Labour conference saw no reaction despite the likelihood that they may be the largest party on polling day. That may change with time; in May the election will be a year away and the currency markets may start to take note.

# Interim Management Report (continued)

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## Investment Outlook (continued)

Equity markets continue to be buoyed by exceptional liquidity and actually seem to have been supported by talk of the taper, since bond markets no longer offer a rival attraction. Indeed, it is likely that conventional bonds have completed their 30 year bull market and are now working their way erratically to higher nominal yields. In a normalised interest rate environment, equities look expensively priced with little momentum in growth of earnings. Numerous signs of complacency have reached new levels, ranging from margin debt through covenant light loans and record low short positions. However, with printing continuing at a huge rate in the US and Japan and short-term interest rates remaining exceptionally low, markets may continue to be pushed up. Risk, though, is high.

Indeed, as a general statement, the price of all financial assets has been driven to unusual levels. The portfolio maintains a broad spread of assets to mitigate the risk inherent in such overvaluation. As in the past, there is reason to expect our equities to outperform the market, but discounts as a whole are tight.

## Issue of Shares

As stated in our Annual Report, the Board operates an informal discount/premium control mechanism in order to help satisfy market supply and demand imbalances. In accordance with the authority given to directors at the 2013 Annual General Meeting, 5,000 Ordinary Shares were issued on 30 July 2013 at a price of 3,567p, representing a 15% premium to the prevailing net asset value.

## Alternative Investment Fund Managers ("AIFM") Directive

The AIFM Directive creates a European-wide framework for regulating managers of 'alternative investment funds', including investment trusts. The Board is working actively to determine the best course of action to optimise the benefits of the Directive for shareholders.

## Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2013. The directors are not aware of any new risks or uncertainties and those stated within the Annual Report continue to be the same for the Company and its investors for the period under review and moving forward.

## Related Party Transactions

Details of related party transactions are contained in the Annual Report issued in May 2013. There have been no material changes in the nature and type of the related party transactions as stated within the Annual Report.

## Going Concern

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

# Interim Management Report (continued)

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## Statement of Directors' Responsibilities

Each director confirms that, to the best of their knowledge:

- (a) The condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- (b) The Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months of the financial year and description of principal risks and uncertainties for the remaining six months of the financial year); and
- (c) The Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

The condensed set of financial statements are published on the Company's website, [www.capitalgearingtrust.com](http://www.capitalgearingtrust.com), which is a website maintained by TMF Corporate Secretarial Services Limited. The directors are responsible for the maintenance and integrity of the Company's corporate website and financial information included within the website. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of the website or any other website upon which the financial statements may be published and accordingly, the auditors accept no responsibility for any changes that may occur following presentation on a website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board

**Mr T R Pattison**

Chairman

12 November 2013

# Distribution of Investment Funds

at 5 October 2013

## Distribution of Investment Funds of £90,567,000 (5 April 2013: £93,481,000)

	UK %	North America %	Europe %	Elsewhere %	5 October 2013 Total %	5 April 2013 Total %
<b>Investment Trust Assets:</b>						
Ordinary shares	12.1	3.7	1.8	6.2	<b>23.8</b>	27.4
Zero dividend preference shares	16.1	–	–	–	<b>16.1</b>	15.6
<b>Other Assets:</b>						
Index linked	11.0	18.8	8.2	1.6	<b>39.6</b>	43.9
Fixed interest	4.7	–	5.1	–	<b>9.8</b>	10.0
Cash	10.6	–	–	0.1	<b>10.7</b>	3.1
	<b>54.5</b>	<b>22.5</b>	<b>15.1</b>	<b>7.9</b>	<b>100.0</b>	100.0

# Investments of the Company

at 5 October 2013

5 October  
2013  
£'000

## Investment Trust Ordinary Shares:

North Atlantic Smaller Companies	3,377
Renewable Energy Generation	1,526
Prospect Japan Fund	1,481
ETFS Metal Securities (physical gold)	1,359
Mithras Investment Trust	1,211
Strategic Equity Capital	1,036
Blackrock New Energy Investment Trust	957
Invesco Perpetual UK Smaller Companies Investment Trust	864
Jupiter Green Investment Trust	841
Private Equity Investor	793
Oryx International Growth Fund	620
Bluefield Solar	615
Renewable Energy Infrastructure	576
Japan Residential Investment Company	482
Aurora Investment Trust	472
Blackrock Absolute Return Strategies	411
Miton Worldwide Growth Investment Trust	406
Invesco Leveraged High Yield	295
Greencoat UK Wind	266
Value & Income Trust	238
Signet Global Fixed Income Strategies	233
Foreign & Colonial Investment Trust	218
EPE Special Opportunities	208
Candover Investments	207
Marwyn Value Investors	204
Dexion Trading	197
Shape Capital	190
GCP Infrastructure Investments	182
Acencia Debt Strategies	147
Hansa Trust 'A' Shares	147
Dexion Absolute GBP	144
Alternative Investment Trust	134
Ground Rents Income Fund	131
Rights & Issues Investment Trust	128
Active Capital Trust	118
Montanaro European Smaller Companies Trust	110
Tapestry Investment	101
Alternative Liquidity Solutions (previously Saltus European Debt Strategies)	99
Goldman Sachs Dynamic Opportunities	90
BB Bio-Tech AG	90
JP Morgan Income & Growth	84
Absolute Return Trust	83



# Investments of the Company (continued)

at 5 October 2013

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	5 October 2013 £'000
<b>Investment Trust Ordinary Shares (continued):</b>	
Henderson Global Trust	73
Dexion Absolute USD	67
Midas Income & Growth Trust	64
Advance Developing Markets	58
Thames River Multi Hedge	50
Atlantis Japan Growth Fund	49
Cambium Global Timberland	46
North American Banks Fund	37
Close European Accelerated Fund	16
Equity Partnership	9
Henderson Global Property	8
Henderson Private Equity Investment Trust	7
Thompson Clive Investments	3
Prospect Epicure J-Reit Value Fund	2
Vision Opportunity China Fund	1
	<b>21,561</b>

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## Investment Trust Zero Dividend Preference Shares:

M&G High Income Investment Trust	2,500
EW & PO Finance	2,218
Aberforth Geared Income Trust	1,925
Electra Private Equity	1,151
Premier Energy & Water Trust	1,018
JP Morgan Income & Capital Trust	990
Utilico Investments 2018	910
F&C Private Equity	848
Utilico Finance 2016	812
Jupiter Second Split Trust	746
Acorn Income Fund 2017	491
NB Private Equity Partners	366
Ground Rents Income Fund	280
JP Morgan Private Equity 2013	210
Jupiter Dividend & Growth Trust	46
JP Morgan Private Equity 2017	36

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**14,547**

# Investments of the Company (continued)

at 5 October 2013

	5 October 2013 £'000
<b>Index Linked Securities:</b>	
UK Treasury 0.125% 2024	5,594
USA Treasury 2.0% 2026	4,189
USA Treasury 1.375% 2018	3,260
Sweden (Kingdom of) 0.5% 2017	2,695
USA Treasury 0.625% 2021	2,481
UK Treasury 1.25% 2027	2,467
Sweden (Kingdom of) 3.5% 2028	2,244
USA Treasury 0.125% 2023	1,834
USA Treasury 1.75% 2028	1,784
Germany (Federal Republic) 0.1% 2023	1,735
Japan (Govt of) 1.4% 2018	1,485
UK Treasury 1.25% 2017	1,088
USA Treasury 2.375% 2027	995
USA Treasury 1.125% 2021	893
UK Treasury 1.875% 2022	818
Sweden (Kingdom of) 4.0% 2020	768
USA Treasury 1.375% 2020	737
Canada (Govt of) 4.0% 2031	613
USA Treasury 0.125% 2022	158
USA Treasury 1.625% 2018	112
	<b>35,950</b>
<b>Fixed Interest Securities:</b>	
Switzerland (Govt of) 3.0% 2018	3,853
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2016	836
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	819
SVG Capital 8.25% Convertible 2016	647
Enterprise Inns 6.5% 2018	549
Switzerland (Govt of) 2.5% 2036	402
Switzerland (Govt of) 2.0% 2014	352
EPE Special Opportunities Convertible Loan Notes	349
Standard Life UK Smaller Companies 3.5% 2018	272
Blackrock Latin American 3.5% 2015	231
Edinburgh Dragon Trust 3.5% 2018	202
Scottish American 8.0% 2022	177
The Mercantile Investment Trust 6.125% 2030	159
	<b>8,848</b>
<b>Total investments</b>	
<b>Cash held by the custodian awaiting investment</b>	<b>9,661</b>
<b>Total investment funds</b>	<b>90,567</b>

# Independent Review Report to Capital Gearing Trust P.I.c.

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## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-Year Financial Report for the six months ended 5 October 2013, which comprises the Income Statement, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Balance sheet, Cash Flow Statement and related notes. We have read the other information contained in the Half-Year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' Responsibilities

The Half-Year Financial Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Year Financial Report in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The condensed set of financial statements included in this Half-Year Financial Report has been prepared in accordance with the statement "Half-yearly Financial Reports" issued by the UK Accounting Standards Board.

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-Year Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Year Financial Report for the six months ended 5 October 2013 is not prepared, in all material respects, in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

## PricewaterhouseCoopers LLP

Chartered Accountants  
Belfast, 12 November 2013

# Income Statement (unaudited)

for the six months ended 5 October 2013

	Revenue £'000	Capital £'000	(unaudited) 6 months ended 5 October 2013 Total £'000
Net (losses)/gains on investments	–	(727)	(727)
Exchange (losses)/gains	–	(1,691)	(1,691)
Investment income (note 2)	485	–	485
<b>Gross return/(loss)</b>	<b>485</b>	<b>(2,418)</b>	<b>(1,933)</b>
Investment management fee	(154)	(230)	(384)
Transaction costs	–	(19)	(19)
Other expenses	(185)	–	(185)
<b>Net return/(loss) on ordinary activities before tax</b>	<b>146</b>	<b>(2,667)</b>	<b>(2,521)</b>
Tax on ordinary activities (note 7)	(7)	7	–
<b>Net return/(loss) attributable to equity shareholders</b>	<b>139</b>	<b>(2,660)</b>	<b>(2,521)</b>
<b>Return/(loss) per Ordinary Share (note 3)</b>	<b>4.75p</b>	<b>(90.98)p</b>	<b>(86.23)p</b>

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

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

# Statement of Total Recognised Gains and Losses (unaudited)

for the six months ended 5 October 2013

	(unaudited) 6 months ended 5 October 2013 £'000	(unaudited) 6 months ended 5 October 2012 £'000	(audited) Year ended 5 April 2013 £'000
<b>Net (loss)/return attributable to equity shareholders</b>	<b>(2,521)</b>	2,854	9,304
<b>Total gains and losses recognised for the period</b>	<b>(2,521)</b>	2,854	9,304

Revenue £'000	(unaudited) 6 months ended 5 October 2012			(audited) Year ended 5 April 2013		
	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
–	3,336	3,336	–	7,994	7,994	
–	(498)	(498)	–	1,323	1,323	
541	–	541	1,064	–	1,064	
541	2,838	3,379	1,064	9,317	10,381	
(147)	(220)	(367)	(302)	(453)	(755)	
–	(28)	(28)	–	(54)	(54)	
(172)	–	(172)	(367)	–	(367)	
222	2,590	2,812	395	8,810	9,205	
21	21	42	67	32	99	
243	2,611	2,854	462	8,842	9,304	
8.32p	89.42p	97.74p	15.82p	302.71p	318.53p	

# Reconciliation of Movements in Shareholders' Funds (unaudited)

for the six months ended 5 October 2013

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments held £'000	Capital reserve arising on investments sold £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2013	730	11,930	16	11,474	67,682	1,637	93,469
Issue of shares (note 8)	1	177	–	–	–	–	178
Exchange losses on investments	–	–	–	(1,459)	(232)	–	(1,691)
Net gains on realisation of investments	–	–	–	–	1,953	–	1,953
Net decrease in unrealised appreciation	–	–	–	(2,680)	–	–	(2,680)
Transfer on disposal of investments	–	–	–	(1,027)	1,027	–	–
Transaction costs	–	–	–	(10)	(9)	–	(19)
Costs charged to capital	–	–	–	–	(230)	–	(230)
Tax on costs charged to capital	–	–	–	–	7	–	7
Net revenue for the period	–	–	–	–	–	139	139
<b>Total</b>	<b>731</b>	<b>12,107</b>	<b>16</b>	<b>6,298</b>	<b>70,198</b>	<b>1,776</b>	<b>91,126</b>
Dividends (note 4)	–	–	–	–	–	(468)	(468)
Balance at 5 October 2013	731	12,107	16	6,298	70,198	1,308	90,658

for the six months ended 5 October 2012

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments held £'000	Capital reserve arising on investments sold £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2012	730	11,862	16	7,442	62,872	1,715	84,637
Issue of shares (note 8)	–	68	–	–	–	–	68
Exchange gains on investments	–	–	–	(655)	157	–	(498)
Net gains on realisation of investments	–	–	–	–	1,436	–	1,436
Net decrease in unrealised appreciation	–	–	–	1,900	–	–	1,900
Transfer on disposal of investments	–	–	–	(151)	151	–	–
Transaction costs	–	–	–	(24)	(4)	–	(28)
Costs charged to capital	–	–	–	–	(220)	–	(220)
Tax on costs charged to capital	–	–	–	–	21	–	21
Net revenue for the period	–	–	–	–	–	243	243
<b>Total</b>	<b>730</b>	<b>11,930</b>	<b>16</b>	<b>8,512</b>	<b>64,413</b>	<b>1,958</b>	<b>87,559</b>
Dividends (note 4)	–	–	–	–	–	(540)	(540)
Balance at 5 October 2012	730	11,930	16	8,512	64,413	1,418	87,019

# Balance Sheet (unaudited)

at 5 October 2013

	(unaudited) 5 October 2013 £'000	(unaudited) 5 October 2012 £'000	(audited) 5 April 2013 £'000
<b>Fixed assets</b>			
Listed investments	<b>80,906</b>	83,267	90,551
<b>Current assets</b>			
Debtors	<b>10,012</b>	4,017	3,225
Cash at bank	<b>21</b>	21	21
	<b>10,033</b>	4,038	3,246
<b>Creditors: amounts falling due within one year</b>	<b>(281)</b>	(286)	(328)
<b>Net current assets</b>	<b>9,752</b>	3,752	2,918
<b>Net assets</b>	<b>90,658</b>	87,019	93,469
<b>Capital and reserves</b>			
Called up share capital	<b>731</b>	730	730
Share premium account	<b>12,107</b>	11,930	11,930
Capital redemption reserve	<b>16</b>	16	16
Capital reserve arising on investments held	<b>6,298</b>	8,512	11,474
Capital reserve arising on investments sold	<b>70,198</b>	64,413	67,682
Revenue reserve	<b>1,308</b>	1,418	1,637
<b>Total equity shareholders' funds</b>	<b>90,658</b>	87,019	93,469
<b>Net asset value per Ordinary Share</b>	<b>3,097.4p</b>	2,978.2p	3,198.9p

The Half-Year Financial Report for the six months ended 5 October 2013 was approved by the Board of Directors on 12 November 2013 and signed on its behalf by:

**Mr T R Pattison**

Chairman

12 November 2013



# Cash Flow Statement (unaudited)

for the six months ended 5 October 2013

	(unaudited) 6 months ended 5 October 2013 £'000	(unaudited) 6 months ended 5 October 2012 £'000	(audited) Year ended 5 April 2013 £'000
<b>Net cash (outflow)/inflow from operating activities (note 5)</b>	<b>(187)</b>	61	117
<b>Taxation</b>			
Foreign tax received on investment income	–	42	170
UK tax paid in relation to prior period adjustments	–	–	(113)
	–	42	57
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments	<b>(8,269)</b>	(7,166)	(22,728)
Receipts from sale of investments	<b>15,477</b>	9,127	23,858
	<b>7,208</b>	1,961	1,130
<b>Equity dividends paid (note 4)</b>	<b>(468)</b>	(540)	(540)
<b>Management of liquid resources</b>			
Change in cash held by the custodian awaiting investment	<b>(6,731)</b>	(1,598)	(838)
<b>Financing</b>			
Issue of ordinary share capital (note 8)	<b>178</b>	68	68
<b>Decrease in cash (note 6)</b>	<b>–</b>	(6)	(6)

# Notes to the Financial Statements

## 1 Accounting policies

The financial information for the six months to 5 October 2013 and 5 October 2012, and for the year ended 5 April 2013 has been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with Accounting Standards applicable in the UK, pronouncements on interim reporting issued by the UK Accounting Standards Board and the Statement of Recommended Practice for Investment Trusts issued in January 2009 by the Association of Investment Companies. The half-year financial statements have been prepared on the basis of the accounting policies set out in the financial statements for the year ended 5 April 2013.

## 2 Investment income

	<b>6 months ended 5 October 2013 £'000</b>	6 months ended 5 October 2012 £'000	Year ended 5 April 2013 £'000
<b>Income from investments</b>			
Income from UK bonds	<b>127</b>	136	272
Income from UK equity and non-equity investments	<b>111</b>	120	236
Interest from overseas bonds	<b>247</b>	284	555
	<b>485</b>	540	1,063
Deposit interest	–	1	1
<b>Total income</b>	<b>485</b>	541	1,064

## 3 Return per Ordinary Share

The calculation of return per Ordinary Share is based on results after tax divided by the weighted average number of shares in issue during the period of 2,923,764 (six-month period ended 5 October 2012: 2,920,015).

The revenue, capital and total return per Ordinary Share is shown in the Income Statement.

## 4 Dividends

	<b>6 months ended 5 October 2013</b>	6 months ended 5 October 2012	Year ended 5 April 2013
Pence per share	<b>16.0p</b>	18.5p	18.5p
Total cost	<b>£468,000</b>	£540,000	£540,000

# Notes to the Financial Statements

## (continued)

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

	<b>6 months ended 5 October 2013 £'000</b>	6 months ended 5 October 2012 £'000	Year ended 5 April 2013 £'000
Net revenue before finance costs and taxation	<b>146</b>	222	395
Investment management fee charged to capital	<b>(230)</b>	(220)	(453)
(Decrease)/increase in creditors	<b>(47)</b>	52	94
(Increase)/decrease in other debtors, prepayments and accrued income	<b>(56)</b>	7	81
Net cash (outflow)/inflow from operating activities	<b>(187)</b>	61	117

### 6 Reconciliation of net cash flow to movement in net funds

	<b>6 months ended 5 October 2013 £'000</b>	6 months ended 5 October 2012 £'000	Year ended 5 April 2013 £'000
Net funds at the beginning of the period	<b>21</b>	27	27
Decrease in cash for the period	<b>–</b>	(6)	(6)
Net funds at the end of the period	<b>21</b>	21	21

### 7 Taxation

Capital returns and dividend income are not subject to corporation tax within an investment trust company. The provision for corporation tax arises from the excess of unfranked investment income over management expenses. During the period a refund of £nil (six-month period ended 5 October 2012: £42,000) of withholding tax in relation to prior periods was received from the Swiss tax authorities.

### 8 Issue of Ordinary Shares

During the period the Company issued 5,000 Ordinary Shares for a consideration of £178,350 (six-month period ended 5 October 2012: 2,000 Ordinary Shares for a consideration of £67,914).

# Notes to the Financial Statements

## (continued)

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### 9 General information

The financial information contained in this Half-Year Financial Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the half-years ended 5 October 2012 and 5 October 2013 has been reviewed but not audited by the Company's Auditors. The abridged financial information for the year ended 5 April 2013 has been extracted from the Company's statutory accounts for that year, which have been filed with the Registrar of Companies. The report of the Auditors on those accounts was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

# Shareholder Information

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## Financial Reporting

Copies of the Company's annual and half-year reports and interim management statements may be obtained from the company secretary and electronic copies can be accessed on the Company's website [www.capitalgearingtrust.com](http://www.capitalgearingtrust.com)

## Contacting the Board

Any shareholders wishing to communicate directly with the Board should do so via the company secretary

## Capital Gains Tax

As at 31 March 1982 the adjusted value for Capital Gains Tax purposes of the 25p Ordinary Shares was 21.25p

## Financial Calendar (guide)

Annual Results	May
Annual General Meeting	July
Dividend payment date	July
Half-Year Report	November
Interim Management Statements	June-August & December-February

## Frequency of NAV Publication

Weekly

## How to Invest

Via your bank, stockbroker or other financial adviser. Alternatively, you may wish to use Computershare's share dealing service by calling +44 (0) 870 703 0084 or visiting [www.computershare.com/sharedealingcentre](http://www.computershare.com/sharedealingcentre)

## Sources of Further Information

Company's website	<a href="http://www.capitalgearingtrust.com">www.capitalgearingtrust.com</a>
Financial Times	<a href="http://www.ft.com">www.ft.com</a>
AIC	<a href="http://www.theaic.co.uk">www.theaic.co.uk</a>

## Share Identification Codes

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

## Substantial Shareholdings

The Disclosure and Transparency Rules require shareholders of the Company to inform the Company and the Financial Conduct Authority (the "FCA") simultaneously of changes to major holdings in the Company's shares within two trading days of the change

For further information, please visit the FCA's website: [www.fca.gov.uk/pages/doing/ukla/company/notifications/index.shtml](http://www.fca.gov.uk/pages/doing/ukla/company/notifications/index.shtml)

## Disability Act

Access for the hard of hearing to the services of the Registrar to the Company, Computershare Investor Services PLC, is provided by their contact centre's text phone service on 0870 702 0005. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial

# Directory

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<b>Registered Office</b>	Waterfront Plaza, 8 Laganbank Road Belfast BT1 3LR
<b>Registered Number</b>	NI 005574
<b>Company Secretary</b>	TMF Nominees Limited 400 Capability Green, Luton LU1 3AE Telephone: 01582 439 200 Fax: 01582 439 207 E-mail: <a href="mailto:company.secretary@capitalgearingtrust.com">company.secretary@capitalgearingtrust.com</a>
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE
<b>Shareholder Services</b>	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE Contact Telephone number: 0870 873 5864 Phonelines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday
<b>Investment Manager</b>	CG Asset Management Limited 25 Moorgate London EC2R 6AY
<b>Custodian &amp; Administrator</b>	Northern Trust 50 Bank Street Canary Wharf London E14 5NT
<b>Bankers</b>	Danske Bank Limited Donegall Square West Belfast BT1 6JS
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR
<b>Corporate Stockbrokers</b>	JP Morgan Cazenove 20 Moorgate London EC2R 6DA

# Notes

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**Capital Gearing Trust P.I.c.**

Waterfront Plaza  
8 Laganbank Road  
Belfast BT1 3LR

[www.capitalgearingtrust.com](http://www.capitalgearingtrust.com)