

CAPITAL GEARING TRUST P.L.C.

Half-Year Financial Report

For the six months ended 5 October 2014

Company Summary

- **Investment objective**

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

- **Issuance and repurchase of shares in the Company**

In addition to shareholder's ability to sell shares on the market, it is the Board's intention to continue with the commitment to offer shareholders the opportunity to realise their investment in the Company, at a price that fairly reflects the underlying net asset value of their investment, with the next opportunity expected to be in 2015.

- **Capital structure and voting rights**

The share capital comprises Ordinary shares of 25 pence each. As at 5 October 2014, 2,926,906 shares were in issue (5 October 2013: 2,926,906). Each Ordinary share has one vote.

- **Investment management, custodian and portfolio administration**

Investment management is carried out by CG Asset Management Limited under an agreement updated 6 April 2014. Custodial services are carried out by The Northern Trust Company under an agreement dated 22 September 2011. Portfolio administration is carried out by Northern Trust Global Services Limited under an agreement dated 23 September 2011.

- **Company secretarial and accounting services**

Company secretarial and accounting services are provided by TMF Corporate Secretarial Services Limited and TMF Management (UK) Limited, respectively.

- **ISA**

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

- **Non-Mainstream Pooled Investment Rules**

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



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.

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Interim Management Report

Chairman's Overview

As at the half year to the 5 October 2014, the net asset value per share was 3,157.4p compared to 3,119.7p at the last year end. I am therefore pleased to report that after a disappointing year to 5 April 2014, the Company is back on track and has delivered a positive absolute return for shareholders. Although the rise in its NAV per share during the past six months is relatively modest, it has been achieved by continuing to adopt a low risk investment strategy. After a prolonged period of rather benign market conditions, the deteriorating macro- economic backdrop is now beginning to increase the turbulence in financial markets. Fortunately for our investors, the defensive investment stance that has been taken by our Investment Managers should help to preserve capital values in what might be more volatile market conditions ahead.

Investment Review

After a challenging period for the Company since May 2013, it is a relief to achieve NAV growth in the first half of this year. A 1.2% return is not a cause for wild celebration; however in an environment of overinflated asset prices and significant macro-economic and capital markets risk any forward progress is to be welcomed. The portfolio remains defensively positioned and broadly spread with an emphasis on inflation protection. Portfolio construction is designed to preserve the real value of capital after tax and fees, with the objective of investing into riskier assets when pricing is more reasonable.

The index linked bond portfolio performed well. In the UK and US, which are experiencing moderate economic growth, underlying wage and domestic inflationary pressures are starting to build. Whilst wage levels have been slow to respond to falling unemployment, forward looking indicators are suggesting a return to real wage growth within the next six months, particularly in the US. At the same time ten year conventional yields have been falling and this combination of firming domestic inflationary pressures and falling conventional yields has allowed index linked bonds to make steady progress.

The nominal bond holdings were increased and restructured. Close to half the holding of Swiss bonds were sold and purchases were made of short UK gilts. The Swiss holdings have performed well but with short Swiss bonds now trading on negative nominal yields there seems limited opportunity for further progress. The gilt additions were made as an alternative to holding sterling cash. With increasing speculation around the timing of policy tightening, short gilt yields have risen to a level that competes with cash, even if absolute returns remain low.

Investment trust equities continue to trade at historically narrow discounts to underlying net asset values. These narrow discounts, combined with very poor liquidity, expose investors to significant downside risk. The Company continues to focus on opportunities that self-liquidate whenever possible, and when that is not possible on opportunities that offer either structural protection through discount controls or that hold low beta underlying assets. There also remain shorter term opportunities in market segments experiencing structural change, most notably the hedge fund sector. The fund took reasonable positions in BH Global Ltd and Blue Crest Blue Trend Ltd, both of which were trading at significant discounts and have subsequently offered return of cash at close to NAV. These strategies worked well with the investment trust portfolio outperforming broader indices and delivering moderate gains against a weak backdrop.

Interim Management Report (continued)

Strangely despite a dearth of secondary market liquidity (trading of existing listed securities) there has been significant primary issuance (issuance of new securities). The Company has participated in two new issues of convertible bonds. These bonds have an attractive risk reward profile, with well covered downside risk and some opportunity to participate in a portion of upside movements should equity markets improve from their already elevated levels. The Company also participated in a new issue of zero dividend preference shares. These new additions to the investment trust fixed income and preferred equity markets are welcome, expanding an area that has delivered strong risk adjusted returns for the Company over many years.

Investment Outlook

Six years after the financial crisis struck, the world economy has yet to address the underlying cause – excessive debt. Admittedly the implementation of loose fiscal and monetary policy has saved the world from the threat of depression, but the level of debt has not improved; indeed it has worsened. In large part that is due to an explosion of credit in the emerging markets, especially in China, where the increase in debt as a percentage of the world GDP was comparable to the increase in developed economies in the period leading up to the crisis. There are no obvious candidates to take over the baton from here, now that China itself looks satiated.

That support from China may have supported corporate profit margins in the US, which have remained at record levels. Historically, profit margins have reverted to the mean and that pattern should continue. With a strong US dollar; weak growth in Europe and Asia; moderate US growth and a narrowing of the fiscal deficit, corporate profits can grow only through a diminishing savings rate or rapidly expanding capital expenditure. Neither looks likely and therefore earnings may disappoint from here. Equities, of course, are still supported by unprecedented levels of stock buy-backs and these may continue. The US market is very expensive, as measured by commonly used fundamental measures of value (cyclically adjusted p/e ratios and Tobin's Q), but also on forward p/e ratios which are at the same level as the 2007 peak.

The nature of the next bear market, whenever it happens, may differ from the past. In part because of regulatory change in the banking system of Europe and the US, liquidity in most asset classes, certainly including equities and corporate bonds, has deteriorated markedly. In poor markets, bid prices could fall away very fast for some smaller company equities and corporate bonds.

Meanwhile, the battle between the strong forces of inflation and deflation continues. In the short term, the slowing world economy and late-cycle increases in supply of commodities are leading to weak prices in oil, gas and industrial raw materials. Good harvests have undermined food prices and, in the UK, supermarket wars are adding further pressure. Nor have wages yet responded to the better conditions in the US or the UK, though the pre-conditions for acceleration are in place, so inflationary pressures are suppressed. The monetary background, however, remains wildly expansionary and inflation still looks to be the ultimate outcome. Indeed, inflation is essential to reduce debt imbalances, as the Eurozone, where the threat of deflation is greater, may find out.

In general, long term returns in all asset classes look poor at current levels of valuation, but opportunities may be better after a bear market amplified by illiquidity.

Interim Management Report (continued)

Issuance and Repurchase 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. As previously notified to the market, the Company entered into an irrevocable, non-discretionary arrangement with its broker, J.P. Morgan Securities Plc (“JP Morgan Cazenove”), to purchase ordinary shares of £0.25 each on its own behalf during the close period beginning 6 October 2014, consistent with the Board’s long term view that there should be no significant discount.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2014. 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 2014. 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 Company’s investment objective and business activities, together with the main trends and factors likely to affect its development and performance are continuously monitored by the Board. 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.

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, 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.

Interim Management Report (continued)

Major GWC (Cecil) Harding

Since our Year-end report, I am sure that along with the Board, many long standing shareholders will have been sorry to learn of the death of Major Cecil Harding in his 99th year. Along with other family members, Cecil Harding was one of the founders and principal architects of the Company. For many years, he was its investment manager and served as a Director and its Chairman from 1963 to 1998. It is true to say that without Cecil's foresight and ingenuity, this Company, which has done so well for its shareholders over many years, would not have existed. We should all be grateful for his invaluable contribution to its success.

For and on behalf of the Board

Mr T R Pattison

Chairman

12 November 2014

Distribution of Investment Funds

at 5 October 2014

Distribution of Investment Funds of £92,257,000 (5 April 2014: £91,324,000)

	UK %	North America %	Europe %	Elsewhere %	5 October 2014 Total %	5 April 2014 Total %
Investment Trust Assets:						
Ordinary shares	14.1	3.9	2.0	7.7	27.7	28.9
Zero dividend preference shares	20.6	–	–	–	20.6	19.0
Other Assets:						
Index linked	9.4	15.3	5.8	–	30.5	29.8
Fixed interest	11.1	1.1	2.3	–	14.5	12.5
Cash	2.2	4.5	–	–	6.7	9.8
	57.4	24.8	10.1	7.7	100.0	100.0

Investments of the Company

at 5 October 2014

5 October
2014
£'000

Investment Trust Ordinary Shares:

North Atlantic Smaller Companies	3,591
Prospect Japan Fund	1,464
Renewable Energy Generation	1,328
ETFS Metal Securities (physical gold)	1,243
Invesco Perpetual UK Smaller Companies Investment Trust	1,163
Mithras Investment Trust	1,128
Foresight Solar Fund	932
Foreign & Colonial Investment Trust	862
Henderson Global Trust	716
Renewable Energy Infrastructure	693
Oryx International Growth Fund	683
Private Equity Investor	659
Bluefield Solar	618
Candover Investments	596
Aurora Investment Trust	572
JP Morgan Private Equity USD	569
Strategic Equity Capital	563
Acencia Debt Strategies	501
JP Morgan Overseas Investment Trust	488
Japan Residential Investment Company	477
Castle Private Equity	451
Miton Worldwide Growth Investment Trust	430
Witan Pacific Investment Trust	412
BlackRock Absolute Return Strategies	411
Shape Capital	367
John Laing Environmental Assets Group	331
Rights & Issues Investment Trust	324
Marwyn Value Investors	243
Ground Rents Income Fund Ordinary	238
Rights & Issues	234
Greencoat UK Wind	219
Atlantis Japan Growth Fund	216
Aberdeen Latin American Income	212
LMS Capital	210
Dexion Absolute EUR	186
SQN Asset Finance Income Fund	181
Hansa Trust 'A' Shares	172
JP Morgan Income & Growth	168
EPE Special Opportunities	167
Dexion Absolute USD	158
Better Capital PCC	154
Ruffer Investment Company	131
Crystal Amber Fund	110

Investments of the Company (continued)

at 5 October 2014

	5 October 2014 £'000
Investment Trust Ordinary Shares (continued):	
Signet Global Fixed Income Strategies	96
Schroder UK Growth Fund	88
BlueCrest BlueTrend	80
GCP Infrastructure Investments	72
BACIT	65
JP Morgan Income & Growth Income	65
Alternative Liquidity Solutions	62
Alternative Investment Trust	61
F&C Commercial Property Trust	57
Henderson International Income Trust	55
Thames River Multi Hedge	50
North American Banks Fund	37
International Biotechnology Trust	32
Cambium Global Timberland	31
Dexion Absolute GBP Redemption	27
RENN Universal Growth Investment Trust	17
Close European Accelerated Fund	16
Dexion Absolute USD Redemption	13
Active Capital Trust	8
Henderson Private Equity Investment Trust	5
Thompson Clive Investments	3
Prospect Epicure J-REIT Value Fund	2
	25,513
Investment Trust Zero Dividend Preference Shares:	
M&G High Income Investment Trust	2,798
Ecofin Water & Power Opportunities Finance	2,423
Aberforth Geared Income Trust	2,009
JP Morgan Income & Capital Trust	1,467
F&C Private Equity	1,286
Electra Private Equity	1,196
JZ Capital Partners 2016	1,118
Premier Energy & Water Trust	1,083
Utilico Investments 2018	975
NB Private Equity Partners	897
Utilico Finance 2016	866
Jupiter Second Split Trust	860
Acorn Income Fund 2017	715
Jupiter Dividend & Growth Trust	538
JP Morgan Private Equity 2015	366
JP Morgan Private Equity 2017	228
Utilico Investments 2020	209
	19,034

Investments of the Company (continued)

at 5 October 2014

	5 October 2014 £'000
Index Linked Securities:	
UK Treasury 0.125% 2024	3,766
UK Treasury 1.25% 2017	3,518
USA Treasury 1.375% 2018	3,235
USA Treasury 2.0% 2026	2,985
USA Treasury 0.625% 2021	2,500
Sweden (Kingdom of) 0.5% 2017	2,442
Sweden (Kingdom of) 3.5% 2028	2,209
USA Treasury 0.125% 2023	1,879
USA Treasury 1.125% 2021	895
UK Treasury 1.875% 2022	832
USA Treasury 1.375% 2020	734
Sweden (Kingdom of) 4.0% 2020	704
Canada (Govt of) 4.0% 2031	607
UK Treasury 0.125% 2019	542
USA Treasury 0.125% 2019	510
USA Treasury 0.125% 2018	456
USA Treasury 0.125% 2022	161
USA Treasury 1.625% 2018	111
	28,086
Fixed Interest Securities:	
UK Treasury 2.0% 2016	5,594
Switzerland (Govt of) 3.0% 2018	2,132
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	979
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2016	832
Ecofin Water & Power Opportunities plc 6.0% Convertible Unsecured Loan Stock 2016	650
SVG Capital 8.25% Convertible 2016	649
Enterprise Inns 6.5% 2018	573
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	501
F&C Global Smaller Companies plc 3.5% Convertible Unsecured Loan Stock 2019	493
EPE Special Opportunities Convertible Loan Notes	442
Edinburgh Dragon Trust 3.5% 2018	202
Scottish American 8.0% 2022	180
The Mercantile Investment Trust plc 6.125% 2030	178
	13,405
Total investments	86,038
Cash held by the custodian awaiting investment	6,219
Total investment funds	92,257

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

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 2014, 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 2014 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 2014

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Income Statement (unaudited)

for the six months ended 5 October 2014

	Revenue £'000	Capital £'000	(unaudited) 6 months ended 5 October 2014 Total £'000
Net gains/(losses) on investments	–	1,069	1,069
Exchange gains/(losses)	–	340	340
Investment income (note 2)	602	–	602
Gross return/(loss)	602	1,409	2,011
Investment management fee	(110)	(165)	(275)
Transaction costs	–	(24)	(24)
Other expenses	(179)	–	(179)
Net return/(loss) on ordinary activities before tax	313	1,220	1,533
Tax on ordinary activities (note 7)	23	13	36
Net return/(loss) attributable to equity shareholders	336	1,233	1,569
Return/(loss) per Ordinary Share (note 3)	11.48p	42.13p	53.61p

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

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

There is no material difference between the net return on ordinary activities before tax and the net return attributable to equity shareholders stated above and their historical cost equivalents.

Revenue £'000	(unaudited) 6 months ended 5 October 2013			Revenue £'000	(audited) Year ended 5 April 2014	
	Capital £'000	Total £'000	Capital £'000		Total £'000	
–	(727)	(727)	–	1,390	1,390	
–	(1,691)	(1,691)	–	(3,059)	(3,059)	
485	–	485	999	–	999	
485	(2,418)	(1,933)	999	(1,669)	(670)	
(154)	(230)	(384)	(307)	(461)	(768)	
–	(19)	(19)	–	(55)	(55)	
(185)	–	(185)	(374)	–	(374)	
146	(2,667)	(2,521)	318	(2,185)	(1,867)	
(7)	7	–	(3)	3	–	
139	(2,660)	(2,521)	315	(2,182)	(1,867)	
4.75p	(90.98)p	(86.23)p	10.77p	(74.59)p	(63.82)p	

Statement of Total Recognised Gains and Losses (unaudited)

for the six months ended 5 October 2014

	(unaudited) 6 months ended 5 October 2014 £'000	(unaudited) 6 months ended 5 October 2013 £'000	(audited) Year ended 5 April 2014 £'000
Net return/(loss) attributable to equity shareholders	1,569	(2,521)	(1,867)
Total gains and losses recognised for the period	1,569	(2,521)	(1,867)

Reconciliation of Movements in Shareholders' Funds (unaudited)

for the six months ended 5 October 2014

	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 2014	731	12,107	16	4,857	72,117	1,484	91,312
Issue of shares (note 8)	-	-	-	-	-	-	-
Exchange gains on investments	-	-	-	196	144	-	340
Net gains on realisation of investments	-	-	-	-	1,762	-	1,762
Net decrease in unrealised appreciation	-	-	-	(693)	-	-	(693)
Transfer on disposal of investments	-	-	-	942	(942)	-	-
Transaction costs	-	-	-	(20)	(4)	-	(24)
Costs charged to capital	-	-	-	-	(165)	-	(165)
Tax on costs charged to capital	-	-	-	-	13	-	13
Net revenue for the period	-	-	-	-	-	336	336
Total	731	12,107	16	5,282	72,925	1,820	92,881
Dividends (note 4)	-	-	-	-	-	(468)	(468)
Balance at 5 October 2014	731	12,107	16	5,282	72,925	1,352	92,413

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
Total	731	12,107	16	6,298	70,198	1,776	91,126
Dividends (note 4)	–	–	–	–	–	(468)	(468)
Balance at 5 October 2013	731	12,107	16	6,298	70,198	1,308	90,658

Balance Sheet (unaudited)

at 5 October 2014

	(unaudited) 5 October 2014 £'000	(unaudited) 5 October 2013 £'000	(audited) 5 April 2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	86,038	80,906	82,352
Current assets			
Debtors	6,570	10,012	9,301
Cash at bank and in hand	59	21	21
	6,629	10,033	9,322
Creditors: amounts falling due within one year	(254)	(281)	(362)
	6,375	9,752	8,960
Net current assets	6,375	9,752	8,960
	92,413	90,658	91,312
Total assets less current liabilities	92,413	90,658	91,312
Capital and reserves			
Called up share capital	731	731	731
Share premium account	12,107	12,107	12,107
Capital redemption reserve	16	16	16
Capital reserve arising on investments held	5,282	6,298	4,857
Capital reserve arising on investments sold	72,925	70,198	72,117
Revenue reserve	1,352	1,308	1,484
	92,413	90,658	91,312
Total equity shareholders' funds	92,413	90,658	91,312
	3,157.4p	3,097.4p	3,119.7p
Net asset value per Ordinary Share	3,157.4p	3,097.4p	3,119.7p

The Half-Year Financial Report for the six months ended 5 October 2014 was approved by the Board of Directors on 12 November 2014 and signed on its behalf by:

Mr T R Pattison

Chairman

12 November 2014

Cash Flow Statement (unaudited)

for the six months ended 5 October 2014

	(unaudited) 6 months ended 5 October 2014 £'000	(unaudited) 6 months ended 5 October 2013 £'000	(audited) Year ended 5 April 2014 £'000
Net cash inflow/(outflow) from operating activities (note 5)	10	(187)	(102)
Taxation			
Foreign tax received/(paid) on investment income	39	–	(41)
Capital expenditure and financial investment			
Payments to acquire investments	(11,470)	(8,269)	(24,054)
Receipts from sale of investments	9,174	15,477	30,529
	(2,296)	7,208	6,475
Equity dividends paid (note 4)	(468)	(468)	(468)
Management of liquid resources			
Change in cash held by the custodian awaiting investment	2,753	(6,731)	(6,042)
Financing			
Issue of ordinary share capital (note 8)	–	178	178
Increase in cash (note 6)	38	–	–

Notes to the Financial Statements

1 Accounting policies

The financial information for the six months to 5 October 2014 and 5 October 2013, and for the year ended 5 April 2014 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 2014.

2 Investment income

	6 months ended 5 October 2014 £'000	6 months ended 5 October 2013 £'000	Year ended 5 April 2014 £'000
Income from investments			
Income from UK bonds	206	127	253
Income from UK equity and non-equity investments	175	111	303
Income from overseas equity and non-equity investments	70	–	–
Interest from overseas bonds	151	247	443
Total income	602	485	999

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 2,926,906 (5 October 2013: 2,923,764).

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

4 Dividends

	6 months ended 5 October 2014	6 months ended 5 October 2013	Year ended 5 April 2014
Pence per share	16.0p	16.0p	16.0p
Total cost	£468,000	£468,000	£468,000

Notes to the Financial Statements

(continued)

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

	6 months ended 5 October 2014 £'000	6 months ended 5 October 2013 £'000	Year ended 5 April 2014 £'000
Net return before finance costs and taxation	313	146	318
Investment management fee charged to capital	(165)	(230)	(461)
(Decrease)/increase in creditors	(108)	(47)	34
(Increase)/decrease in other debtors, prepayments and accrued income	(30)	(56)	7
Net cash inflow/(outflow) from operating activities	10	(187)	(102)

6 Reconciliation of net cash flow to movement in net funds

	6 months ended 5 October 2014 £'000	6 months ended 5 October 2013 £'000	Year ended 5 April 2014 £'000
Net funds at the beginning of the period	21	21	21
Increase in cash for the period	38	–	–
Net funds at the end of the period	59	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 £39,000 (2013: £nil) 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 did not issue any Ordinary Shares (six-month period ended 5 October 2013 and year ended 5 April 2014: 5,000 Ordinary Shares for a consideration of £178,350).

Notes to the Financial Statements (continued)

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 2013 and 5 October 2014 has been reviewed but not audited by the Company's Auditors. The abridged financial information for the year ended 5 April 2014 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

Financial Reporting

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

Contacting the Board

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

TMF Nominees Limited
5th Floor
6 St. Andrew Street
London EC4A 3AE
Telephone: 0207 832 8922
Email: company.secretary@capitalgearingtrust.com

Registered Office

Waterfront Plaza
8 Laganbank Road
Belfast BT1 3LR

Registered Number

NI005574

Capital Gains Tax

As at 31 March 1982 the adjusted value for capital gains tax purposes of the 25p Ordinary shares was 21.25p

Financial Calendar (guide)

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

Frequency of NAV Publication

Daily

How to Invest

Via your bank, stockbroker or other financial adviser

Sources of Further Information

Company's website	www.capitalgearingtrust.com
Financial Times	www.ft.com
AIC	www.theaic.co.uk

Share Identification Codes

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

Substantial Shareholdings

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

For further information, please visit the FCA's website:

www.fca.gov.uk/pages/doing/ukla/company/notifications/index.shtml

Shareholder Information

(continued)

Nominee Share Code

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

Disability Act

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

Notes

Capital Gearing Trust P.I.C.

Waterfront Plaza
8 Laganbank Road
Belfast BT1 3LR

www.capitalgearingtrust.com