

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

## **Half-Year Financial Report**

For the six months ended 5 October 2015

# Company Summary

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- **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**

At the Company's Annual General Meeting on 8 July 2015 shareholders passed a resolution to adopt a new discount and premium management policy. Under this policy the Company will issue or purchase shares to ensure that, in normal market conditions, shares trade close to their underlying net asset value per share.

- **Capital structure and voting rights**

The share capital comprises Ordinary shares of 25 pence each. As at 5 October 2015, 2,960,417 shares were in issue (5 October 2014: 2,926,906). Each Ordinary share has one vote.

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

Investment management is carried out by CG Asset Management Limited under an agreement 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 Personal Assets Trust Administration Company Limited under an agreement dated 22 July 2015.

- **ISA**

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

- **Non-Mainstream Pooled Investment Rules**

The Company's shares are 'excluded securities' for the purposes of the rules relating to non-mainstream pooled investments. This means they can be recommended by independent financial advisers 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 from 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 their control.

# Contents

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2-5	Interim Management Report
6	Distribution of Investment Funds
7-9	Investments of the Company
10	Independent Review Report
12-19	Financial Statements (unaudited)
12-13	Income Statement
14	Statement of Changes in Equity
15	Statement of Financial Position
16	Cash Flow Statement
17-19	Notes to the Financial Statements
20-21	Shareholder Information

# Interim Management Report

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## Chairman's Overview

As at the half year to 5 October 2015, the net asset value per share was 3,240.5p compared to 3,297.6p at the last year end on 5 April 2015, a decline of 1.7%. This compares with declines of 6.5% in the FTSE All-Share index and of 9.2% in the sterling FTSE All-World index. At the start of August the Company instituted its new 'zero discount policy' to help manage the rating of the Company's shares. As a result, the average premium for the period was 2.8% and the Company issued 33,511 new ordinary shares, raising approximately £1.094 million for the Company. There was no requirement for the Company to exercise any share buyback during the period.

Investment markets have been battered by a succession of headwinds over the summer – the slowdown in the Chinese economy, continuing uncertainties for the Eurozone, falling commodity prices and the markets' monthly preoccupation with guessing the timing and effects of the first upward move in interest rates from the Federal Reserve Board. The low risk investment strategy consistently applied by the Trust over the last few years has at least achieved protection of capital against this adverse and volatile background.

## Investment Review

The portfolio remains defensively positioned and broadly spread, with a high weighting to short duration liquid assets. This positioning is consistent with the current aims of protecting capital after taxes, fees and inflation. This aim sounds modest. However, in an environment of near universally overvalued asset markets, it is quite a challenge.

Compelling opportunities in the investment trust market remain few and far between. A prominent sector analyst recently lamented he had never known so little value available. This partly reflects structural changes in the sector with an increasing emphasis on distributed income but is mostly linked to value insensitive buyers that often emerge in the mature stages of an equity bull market. It is our belief that today's value insensitive buyers are likely to be tomorrow's value insensitive sellers. This holds out the prospect of exciting opportunities ahead, although the current challenge is to protect the Trust's equity portfolio from the risk of discount widening that is likely to occur in a bear market.

It is pleasing that during the weak markets of August and September the investment trust portfolio held up well, materially out performing broader indices such as the FTSE All-Share. This, in part, reflects a greater allocation to mid and small capitalisation stocks which avoided the worst of the sell-off. It also reflects some stock specific factors, most notably North Atlantic Smaller Companies plc which continues a run of very strong performance. Even the portfolio's serial under performer, Renewable Energy Generation plc, was subject to an acquisition approach after the period end at a 50% premium. The outcome of this process remains unclear, however the approach helps confirm the unrecognised value in the asset.

After a very strong run up to April 2015, the bond portfolio had a muted half year. Given the current low yield environment, this portfolio is unlikely to deliver strong returns in the absence of pronounced sterling weakness. However, these holdings provide a store of 'dry powder' waiting patiently to be deployed into equity markets when values are more compelling.

## Discount/Premium Management

Shareholders overwhelmingly backed the measures necessary to implement the zero discount/premium policy at the AGM in July. Under this new policy the Company will purchase or

# Interim Management Report (continued)

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issue shares to ensure, under normal market conditions, that the shares trade closely to the underlying NAV per share.

The practical implementation of this policy commenced on 1 August 2015. Although it is still early days to make a properly critical assessment of the impact of the policy, the early experience (albeit over a period when the Trust's NAV per share has been relatively stable) has been quietly encouraging. Over the three months to 5 October, the Company issued 33,511 shares for an aggregate value of £1.094 million. No shares were purchased by the Company during this period.

## The Board

As announced in May, Tony Pattison stepped down from the Chairmanship and the Board after the AGM in July. On behalf of the Board, I wish to record our profound thanks for the enormous contribution Tony has made to the development and success of the Company over a period of nearly forty years, first as fund manager for the Trust, then director since 1985 and finally as Chairman for the past decade. We wish him well in his retirement.

## Investment Outlook

With the first interest rate rise deferred yet again in both the US and the UK, both bonds and equities are anticipating an extended period of exceptionally low interest rates; corporate profits that at least sustain current levels; and inflation that recovers very slowly and never attains problematic levels. This is a profoundly optimistic view.

It is unlikely that this benign combination can prevail indefinitely; if demand is weak enough to prevent inflation accelerating and interest rates rising even in the UK and the US, then it will be hard for corporates to maintain profit margins at their currently historically high levels.

At these elevated valuations, prospective returns over the medium term (5-10 years) for all asset classes look, by many measures, poor, even before allowing for the fragility inherent in the expanding debt levels that prevail everywhere, but have increased most markedly in emerging Asia.

The portfolio is more defensive than ever in respect of both duration and asset allocation; but with volatility rising and variable, and market liquidity in everything notably poor, there should be opportunities for those with liquidity in their portfolios to buy quality assets at good prices. Meanwhile, the Board and the Company's investment managers remain defensively minded, but also prepared to take advantage should value re-emerge in the asset classes in which the Company has traditionally placed its faith.

For and on behalf of the Board

**E G Meek**  
Chairman

4 November 2015

# Interim Management Report (continued)

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## Required Disclosures

### Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2015. 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 2015. 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 and having reassessed the principal risks consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

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

The Company is an Alternative Investment Fund ("AIF") as defined by the AIFMD and is registered as a small internally managed AIF on the Register of Small Registered UK AIFMs.

### 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 Financial Reporting Standard 104 (Interim Financial Reporting);
- (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 Personal Assets Trust Administration Company 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

# Interim Management Report (continued)

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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

**E G Meek**

Chairman

4 November 2015

# Distribution of Investment Funds

at 5 October 2015

## Distribution of Investment Funds of £95,799,000 (5 April 2015: £96,465,000)

	UK %	North America %	Europe %	Other %	5 October 2015 Total %	5 April 2015 Total %
<b>Investment Trust Assets:</b>						
Ordinary shares	16.6	3.5	1.5	6.5	<b>28.1</b>	27.9
Zero dividend preference shares	21.7	–	–	–	<b>21.7</b>	19.9
<b>Other Assets:</b>						
Index-linked	9.0	15.8	3.0	–	<b>27.8</b>	26.8
Fixed interest	9.2	4.3	2.3	–	<b>15.8</b>	16.3
Cash	6.4	0.2	–	–	<b>6.6</b>	9.1
	<b>62.9</b>	<b>23.8</b>	<b>6.8</b>	<b>6.5</b>	<b>100.0</b>	100.0



# Investments of the Company

at 5 October 2015

5 October  
2015  
£'000

## Investment Trust Ordinary Shares:

North Atlantic Smaller Companies	4,470
Invesco Perpetual UK Smaller Companies Investment Trust	1,563
Prospect Japan Fund	1,411
Foresight Solar Fund	1,116
Rights & Issues Capital	1,115
ETFS Metal Securities (physical gold)	1,101
Oryx International Growth Fund	1,048
Renewable Energy Generation	768
Better Capital PCC	743
Mithras Investment Trust	743
John Laing Environmental Assets Group	713
JP Morgan Private Equity USD	705
North American Income Trust	660
Henderson Global Trust	659
Japan Residential Investment Company	559
Private Equity Investor	520
JP Morgan Overseas Investment Trust	490
Schroder Global Real Estate Securities	484
Castle Private Equity	484
Renewable Energy Infrastructure	484
Candover Investments	465
NextEnergy Solar Fund	459
Rights & Issues Income	443
Miton Worldwide Growth Investment Trust	442
GCP Infrastructure Investments	427
LMS Capital	359
P2P Global Investments	286
Schroder UK Growth Fund	273
Blackrock Absolute Return Strategies	238
Bluefield Solar	238
Phoenix Spree Deutschland	219
VPC Speciality Lending Investments	204
Marwyn Value Investors	196
Atlantis Japan Growth Fund	192
Witan Pacific Investment Trust	188
Value & Income Trust	185
SQN Asset Finance Income Fund	181
Dexion Absolute EUR	181
JP Morgan Income & Growth Capital	181
Weiss Korea Opportunities Fund	167
Alliance Trust	165
EPE Special Opportunities	156
Dexion Absolute USD	148

# Investments of the Company (continued)

at 5 October 2015

	5 October 2015 £'000
<b>Investment Trust Ordinary Shares</b> (continued):	
JP Morgan Income & Growth Income	131
Aberdeen Latin American Income	125
Ground Rents Income Fund Ordinary	114
Foreign & Colonial Investment Trust	113
Hansa Trust 'A' Shares	107
Better Capital PCC	100
Shape Capital	77
BACIT	70
Signet Global Fixed Income Strategies	55
Thames River Multi Hedge	50
Alternative Investment Trust	39
North American Banks Fund	19
Close European Accelerated Fund	16
RENN Universal Growth Investment Trust	11
Cambium Global Timberland	10
Active Capital Trust	8
Alternative Liquidity Solutions	2
Prospect Epicure J-REIT Value Fund	2
	<b>26,878</b>
<b>Investment Trust Zero Dividend Preference Shares:</b>	
M&G High Income Investment Trust 2017	2,899
Ecofin Water & Power Opportunities Finance 2016	2,714
Aberforth Geared Income Trust 2017	2,103
Electra Private Equity 2016	1,907
JZ Capital Partners 2022	1,638
JP Morgan Income & Capital Trust 2015	1,596
JP Morgan Private Equity 2015	1,318
Premier Energy & Water Trust 2015	1,220
Utilico Investments 2018	1,042
NB Private Equity Partners 2017	1,000
Utilico Finance 2016	895
Jupiter Dividend & Growth Trust 2017	831
Acorn Income Fund 2017	741
JZ Capital Partners 2016	375
Utilico Investments 2020	236
JP Morgan Private Equity 2017	235
Small Companies Dividend Trust 2018	81
	<b>20,831</b>

# Investments of the Company (continued)

at 5 October 2015

	5 October 2015 £'000
<b>Index Linked Securities:</b>	
UK Treasury 1.25% 2017	4,455
USA Treasury 1.375% 2018	3,346
USA Treasury 2.0% 2026	3,111
UK Treasury 0.125% 2024	2,816
USA Treasury 0.625% 2021	2,636
Sweden (Kingdom of) 0.5% 2017	2,229
USA Treasury 0.125% 2023	1,986
USA Treasury 0.125% 2020	1,007
USA Treasury 1.125% 2021	940
UK Treasury 1.875% 2022	843
USA Treasury 1.375% 2020	767
Sweden (Kingdom of) 4.0% 2020	640
UK Treasury 0.125% 2019	551
USA Treasury 0.125% 2019	538
USA Treasury 0.125% 2018	477
USA Treasury 0.125% 2022	170
USA Treasury 1.625% 2018	115
	<b>26,627</b>
<b>Fixed Interest Securities:</b>	
UK Treasury 2.0% 2016	5,524
Switzerland (Govt of) 3.0% 2018	2,206
USA Treasury 0.5% January 2017	2,176
USA Treasury 0.5% April 2017	988
Ecofin Water & Power Opportunities plc 6.0% Convertible Unsecured Loan Stock 2016	969
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	958
F&C Global Smaller Companies plc 3.5% Convertible Unsecured Loan Stock 2019	511
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	496
Edinburgh Dragon Trust 3.5% 2018	489
EPE Special Opportunities Convertible Loan Notes	463
Scottish American 8.0% 2022	194
The Mercantile Investment Trust plc 6.125% 2030	187
	<b>15,161</b>
<b>Total investments</b>	<b>89,497</b>
<b>Cash held by the custodian awaiting investment</b>	<b>6,302</b>
<b>Total investment funds</b>	<b>95,799</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 2015, which comprises the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the 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 FRS 104 "Interim Financial Reporting".

## 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 2015 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, 4 November 2015

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# Income Statement (unaudited)

for the six months ended 5 October 2015

	Revenue £'000	Capital £'000	(unaudited) 6 months ended 5 October 2015 Total £'000
Net (losses)/gains on investments	–	(964)	(964)
Exchange (losses)/gains	–	(174)	(174)
Investment income (note 2)	571	–	571
<b>Gross (loss)/return</b>	<b>571</b>	<b>(1,138)</b>	<b>(567)</b>
Investment management fee	(115)	(172)	(287)
Transaction costs	–	–	–
Other expenses	(243)	–	(243)
<b>Net (loss)/return on ordinary activities before tax</b>	<b>213</b>	<b>(1,310)</b>	<b>(1,097)</b>
Tax on ordinary activities (note 7)	–	–	–
<b>Net (loss)/return attributable to equity shareholders</b>	<b>213</b>	<b>(1,310)</b>	<b>(1,097)</b>
<b>(Loss)/return per Ordinary Share (note 3)</b>	<b>7.27p</b>	<b>(44.69)p</b>	<b>(37.42)p</b>

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

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

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

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

Revenue £'000	(unaudited) 6 months ended 5 October 2014			Revenue £'000	(audited) Year ended 5 April 2015	
	Capital £'000	Total £'000	Revenue £'000		Capital £'000	Total £'000
–	1,069	1,069	–	3,305	3,305	
–	340	340	–	1,945	1,945	
602	–	602	1,355	–	1,355	
602	1,409	2,011	1,355	5,250	6,605	
(110)	(165)	(275)	(224)	(337)	(561)	
–	(24)	(24)	–	(60)	(60)	
(179)	–	(179)	(345)	–	(345)	
313	1,220	1,533	786	4,853	5,639	
23	13	36	(1)	37	36	
336	1,233	1,569	785	4,890	5,675	
11.48p	42.13p	53.61p	26.82p	167.07p	193.89p	

# Statement of Changes in Equity (unaudited)

for the six months ended 5 October 2015

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2015	731	12,107	16	81,864	1,801	96,519
Issue of shares (note 8)	9	1,085	–	–	–	1,094
Net (loss)/return attributable to equity shareholders	–	–	–	(1,310)	213	(1,097)
<b>Total</b>	<b>740</b>	<b>13,192</b>	<b>16</b>	<b>80,554</b>	<b>2,014</b>	<b>96,516</b>
Dividends (note 4)	–	–	–	–	(585)	(585)
Balance at 5 October 2015	740	13,192	16	80,554	1,429	95,931

for the six months ended 5 October 2014

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2014	731	12,107	16	76,974	1,484	91,312
Net return attributable to equity shareholders	–	–	–	1,233	336	1,569
<b>Total</b>	<b>731</b>	<b>12,107</b>	<b>16</b>	<b>78,207</b>	<b>1,820</b>	<b>92,881</b>
Dividends (note 4)	–	–	–	–	(468)	(468)
Balance at 5 October 2014	731	12,107	16	78,207	1,352	92,413

\* The Capital Reserve balance at 5 October 2015 includes unrealised gains on fixed asset investments of £7,455,000 (5 October 2014 – gains of £5,282,000 and 6 April 2015 – gains of £9,316,000). The balance at 6 April 2015 is restated after a prior period adjustment of a decrease in the realised gains on investments sold of £2,709,000 and an increase in the unrealised gains on fixed asset investments of £2,709,000. This restatement had no net impact on the Capital Reserve.



# Statement of Financial Position (unaudited)

at 5 October 2015

	(unaudited) 5 October 2015 £'000	(unaudited) 5 October 2014 £'000	(audited) 5 April 2015 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>89,497</b>	86,038	87,748
<b>Current assets</b>			
Debtors*	<b>468</b>	6,570	465
Cash at bank and in hand*	<b>6,302</b>	59	8,737
	<b>6,770</b>	6,629	9,202
<b>Creditors: amounts falling due within one year</b>	<b>(336)</b>	(254)	(431)
<b>Net current assets</b>	<b>6,434</b>	6,375	8,771
<b>Total assets less current liabilities</b>	<b>95,931</b>	92,413	96,519
<b>Capital and reserves</b>			
Called up share capital	<b>740</b>	731	731
Share premium account	<b>13,192</b>	12,107	12,107
Capital redemption reserve	<b>16</b>	16	16
Capital reserve	<b>80,554</b>	78,207	81,864
Revenue reserve	<b>1,429</b>	1,352	1,801
<b>Total equity shareholders' funds</b>	<b>95,931</b>	92,413	96,519
<b>Net asset value per Ordinary Share</b>	<b>3,240.5p</b>	3,157.4p	3,297.6p

\*Included within debtors at 5 October 2014 is £6,219,000 of funds with the custodian awaiting investment. The balances at 5 April 2015 and 5 October 2015 have been reclassified as Cash at bank and in hand.

The Half-Year Financial Report for the six months ended 5 October 2015 was approved by the Board of Directors on 4 November 2015 and signed on its behalf by:

**E G Meek**  
Chairman

4 November 2015

# Cash Flow Statement (unaudited)

for the six months ended 5 October 2015

	(unaudited) 6 months ended 5 October 2015 £'000	(unaudited) 6 months ended 5 October 2014 £'000	(audited) Year ended 5 April 2015 £'000
<b>Net cash (outflow)/inflow from operating activities (note 5)</b>	<b>(57)</b>	10	404
<b>Taxation</b>			
Foreign tax received on investment income (note 7)	–	39	14
<b>Capital expenditure and financial investment</b>			
Payments to acquire investments	<b>(9,486)</b>	(11,470)	(22,661)
Receipts from sale of investments	<b>6,599</b>	9,174	22,455
	<b>(2,887)</b>	(2,296)	(206)
<b>Equity dividends paid (note 4)</b>	<b>(585)</b>	(468)	(468)
<b>Management of liquid resources</b>			
Change in cash held by the custodian awaiting investment*	–	2,753	8,972
<b>Financing</b>			
Issue of ordinary share capital (note 8)	<b>1,094</b>	–	–
<b>(Decrease)/increase in cash (note 6)*</b>	<b>(2,435)</b>	38	8,716

\*Included within the increase in cash for the year ended 5 April 2015 is an amount of £8,717,000 arising from the reclassification of funds held by the custodian from debtors to cash.

# Notes to the Financial Statements

## 1 Basis of preparation

The condensed Financial Statements for the six months to 5 October 2015 comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the Cash Flow Statement, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 ('New SORP').

The Company has adopted FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' for its financial year ending 5 April 2016. Following the adoption of FRS 102 and the New SORP, there have been no changes to the Company's accounting policies and no restatement of the Company's Income Statement, the Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds), the Statement of Financial Position (previously called the Balance Sheet) or the Cash Flow Statement for periods previously reported.

The condensed Financial Statements for the six months to 5 October 2015 have been prepared under UK Generally Accepted Accounting Principles ('UK GAAP') and using the same accounting policies as set out in the Company's Annual Report and Accounts at 5 April 2015.

## Fair Value

Under FRS 102 and 104 investments have been classified using the following fair value hierarchy:

Level A – Quoted market prices in active markets

Level B – Prices of a recent transaction for identical instruments

Level C – Valuation techniques that use:

- (i) observable market data; or
- (ii) non-observable data

All of the Company's investments fall into Level A for the periods reported.

## 2 Investment income

	(unaudited) 6 months ended 5 October 2015 £'000	(unaudited) 6 months ended 5 October 2014 £'000	(audited) Year ended 5 April 2015 £'000
<b>Income from investments</b>			
Income from UK bonds	203	206	420
Income from UK equity and non-equity investments	241	175	411
Income from overseas equity and non-equity investments	–	70	227
Interest from overseas bonds	127	151	297
Total income	571	602	1,355

# Notes to the Financial Statements

## (continued)

### 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 2,931,377 (5 October 2014 and 5 April 2015: 2,926,906).

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

### 4 Dividends paid

	<b>(unaudited) 6 months ended 5 October 2015 £'000</b>	(unaudited) 6 months ended 5 October 2014 £'000	(audited) Year ended 5 April 2015 £'000
2014 Dividend paid 17 July 2014 (16.0p per share)	–	468	468
2015 Dividend paid 17 July 2015 (20.0p per share)	<b>585</b>	–	–

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

	<b>(unaudited) 6 months ended 5 October 2015 £'000</b>	(unaudited) 6 months ended 5 October 2014 £'000	(audited) Year ended 5 April 2015 £'000
Net return before finance costs and taxation	<b>213</b>	313	786
Investment management fee charged to capital	<b>(172)</b>	(165)	(337)
(Decrease)/increase in creditors	<b>(95)</b>	(108)	69
Increase in other debtors, prepayments and accrued income	<b>(3)</b>	(30)	(114)
Net cash (outflow)/inflow from operating activities	<b>(57)</b>	10	404

# Notes to the Financial Statements

## (continued)

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

	(unaudited) 6 months ended 5 October 2015 £'000	(unaudited) 6 months ended 5 October 2014 £'000	(audited) Year ended 5 April 2015 £'000
Net funds at the beginning of the period	8,737	21	21
(Decrease)/increase in cash for the period	(2,435)	38	(1)
Reclassification of funds held by custodian from debtors to cash	–	–	8,717
Net funds at the end of the period	6,302	59	8,737

### 7 Taxation

Capital returns and franked dividend income are not subject to corporation tax within an investment trust company. The provision for corporation tax in the prior periods arises from the excess of unfranked investment income over management expenses. During the periods to 5 April 2015 and 5 October 2014 a refund of £39,000 of withholding tax in relation to prior periods was received from the Swiss tax authorities.

### 8 Ordinary Shares

During the period the Company issued 33,511 Ordinary Shares for a consideration of £1,094,000 (no Ordinary shares were issued during the six-month period ended 5 October 2014 and year ended 5 April 2015). At 5 October 2015 there were 2,960,417 Ordinary Shares in issue (5 October 2014 and 5 April 2015: 2,926,906).

### 9 Transaction Costs

Transaction costs on acquisitions within the portfolio amounted to £17,000 and transaction costs on sales amounted to £7,000. These costs are included in the book cost of acquisitions and in the net proceeds of disposals.

### 10 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 2014 and 5 October 2015 has been reviewed but not audited by the Company's Auditors. The abridged financial information for the year ended 5 April 2015 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 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:

Steven Cowie BA, CA  
Personal Assets Trust Administration Company Limited  
10 St Colme Street  
Edinburgh EH3 6AA  
Telephone: 0131 538 6610  
Email: [company.secretary@capitalgearingtrust.com](mailto: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

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

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 simultaneously to 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.org.uk/static/documents/ukla/forms/notes-tr1.pdf](http://www.fca.org.uk/static/documents/ukla/forms/notes-tr1.pdf)

# Shareholder Information

## (continued)

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### 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

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# Notes

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# Notes

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**Capital Gearing Trust P.I.C.**

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8 Laganbank Road  
Belfast BT1 3LR

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