

CAPITAL GEARING TRUST P.L.C.

Half-Year Financial Report
For the six months ended 5 October 2017

Company Summary

- **The Company**

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

- **Investment objectives**

The Company’s dual objectives are to preserve shareholders’ real wealth and to achieve absolute total return over the medium to longer term.

- **Capital structure and voting rights**

The share capital comprises Ordinary shares of 25 pence each. As at 5 October 2017, 5,002,719 shares were in issue (5 October 2016: 3,822,837, 5 April 2017: 4,453,174). Each Ordinary share has one vote.

- **Discount/Premium Management Policy**

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

- **Dividends**

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

- **Management and Administration**

Investment management is carried out by CG Asset Management for an annual fee of 0.6% of net assets up to £120m and 0.45% thereafter. Company secretarial, administrative and accounting services are provided by PATAC Limited. Custodial services are carried out by The Northern Trust Company.

- **Alternative Investment Fund Manager**

CG Asset Management is the Company’s Alternative Investment Fund Manager.

- **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 future results which may therefore differ from those indicated within this historical report. Market and currency fluctuations may occur which may in turn have an impact on the value of the Company’s underlying investments in the future. Past performance is no guarantee of future performance. 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.

Contents

2-6	Interim Management Report
7	Distribution of Investment Funds
8-11	Investments of the Company
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

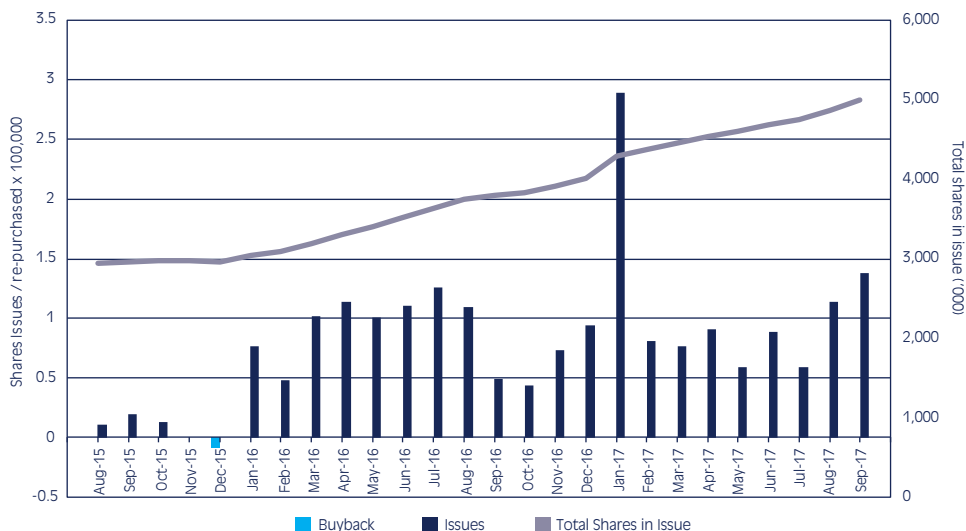
Interim Management Report

Chairman's Overview

At the half year end, 5 October 2017, the net asset value per share was 3,878p. This compares to 3,805p at the year end on 5 April 2017, and 3,647p a year ago. This is an increase of 1.9% over the past six months, and 6.3% over the twelve months to 5 October 2017. Over the latest six months, this performance compares with increases of 4.5% in the MSCI UK Index and of 2.4% in RPI respectively. Performance in the half year was impacted by a 6% weakening of the dollar relative to sterling, some of which has already reversed since the period end.

Operation of the Company's discount control policy has resulted in a pattern of further steady issuance (as shown in the chart below). The Company's issued share capital has increased by 12.3% over the half year and is 30.8% higher than a year ago. The improved marketability in the Company's shares has clearly helped to widen the equity base and also extend the shareholder list; the ongoing cost ratio continues to fall. Shortly after the end of the first half year, total assets under management reached £200m for the first time.

CGT share issuance from August 2015



During the half year, the Financial Conduct Authority authorised the Investment Managers, CG Asset Management, to act as a Small Authorised UK Alternative Investment Fund Manager ("AIFM"). Since the period end, the Board has appointed CG Asset Management as the Company's AIFM. Though under the new AIFM regime the Company remains restricted in how it applies any borrowing under its investment policy, the Board does not view this as a material constraint. The Company has not used structural gearing in managing its affairs for many years. This is unlikely to change.

Interim Management Report (continued)

Investment Review

The half year was an unusually active one in terms of asset re-allocation. The most significant development has been the reduction in our holdings of UK index-linked bonds which have long been a mainstay of the portfolio. In early April the Company began by selling the UK Treasury 0.125% index-linked 2024 at a real yield of -2.5%. Held to maturity these bonds would have suffered a real loss of 16%. The current ambition of the Company's asset allocation is to protect investor's capital after fees, taxes and inflation whilst we wait for better value to emerge in equity markets. In theory UK index-linked bonds should be the perfect asset class to achieve these aims, however at today's valuations longer dated bonds currently fail to meet these criteria.

Substantially all of the proceeds arising from the sale of UK index-linked bonds have been invested into US treasury inflation protected securities, which now make up roughly a quarter of the portfolio. The yields on offer in the US are significantly higher than in the UK, even if not high compared to their own history. This change exposes the fund to greater foreign exchange volatility. However, given the political uncertainties overhanging sterling, with the strains of Brexit pulling at the unity of the minority Conservative government, there is, in our view, as much opportunity as risk in holding overseas assets. The strength of sterling against the dollar was a headwind for the performance of the Company in the half year, however some of this has already reversed since the period end.

The other notable change in the portfolio make up has been the increase in property exposure. Over the first half of the year the Company significantly increased its exposure to German residential property which now makes up more than 6% of the portfolio. In addition, the Company participated in two new IPOs of funds engaged in the sale and lease-back of social housing on very long, inflation-linked leases to UK housing associations. The key attractions of these assets are investment grade counterparties, implicit government support and physical asset backing. The risks are greater than UK government bonds, but the yield is 6% higher, which appears attractive to us. For the first time in the Company's history property is a larger share of the portfolio than conventional equity funds.

The Company's investment trust and equity portfolios generally performed well, delivering high single digit returns, outperforming broad UK stock indices. Unfortunately, that performance was adversely impacted by one of the larger equity holdings, Ground Rents Income Fund plc ("GRIO") which fell c.13% after the announcement that the Communities Secretary is investigating the ground rent market. There are examples of developers that have abused some corners of this market, with Taylor Wimpey setting aside £130m in April to compensate buyers of their leasehold houses. In our assessment there is no overlap with GRIO's holdings and the extremely penal ground rents under investigation. The Company has increased its holdings in GRIO at lower prices as ground rents typify the high quality, low risk, long term investments that the Company seeks to make, and that are very hard to find on terms anywhere close to good value.

We are mindful of the risks of illiquidity in investment trusts, small capitalisation stocks and several other asset classes. This illiquidity has magnified the equity bull market on the way up, with conventional investment trust discounts now standing at extremely narrow levels and many alternative trusts standing on premia. It will not take many investors trying to realise these gains to turn a virtuous cycle into a vicious one.

Interim Management Report (continued)

Conclusion

The target is still to achieve another positive total return for the full year, but the strategic emphasis of the Company, after the long bull-run in both bonds and equities, is decidedly towards the preservation of investors' capital during what may prove to be a challenging period for investors in most asset classes. We look forward to the opportunities that will become available in the next bear market and remain accordingly defensive whilst we wait.

For and on behalf of the Board

Graham Meek

Chairman

8 November 2017

Interim Management Report (continued)

Required Disclosures

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in June 2017. To these must be added the protracted uncertainties for the UK economy and financial markets arising from the negotiation and implementation of Brexit. Apart from this, the directors are not aware of any other new risks or uncertainties for the Company and its investors both for the period under review and moving forward.

Related Party Transactions

Details of related party transactions are contained in the Annual Report issued in June 2017. 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 CG Asset Management is the Company's Alternative Investment Fund Manager ("AIFM").

Interim Management Report (continued)

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 Guidance 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 Guidance 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 PATAC Limited. The directors are responsible for the integrity of the Company's corporate website and financial information included within the 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

Graham Meek

Chairman

8 November 2017

Distribution of Investment Funds

at 5 October 2017

Distribution of Investment Funds of £193,336,000 at 5 October 2017

	UK %	North America %	Europe %	Elsewhere %	5 October 2017 Total %
Investment Trust Assets:					
Ordinary shares	19.1	3.3	9.3	8.9	40.6
Zero dividend preference shares	10.3	–	–	–	10.3
Other Assets:					
Index-linked	8.5	24.8	2.9	0.2	36.4
Fixed interest	10.1	0.6	–	–	10.7
Cash	1.9	–	0.1	–	2.0
	49.9	28.7	12.3	9.1	100.0

Distribution of Investment Funds of £169,758,000 at 5 April 2017

	UK %	North America %	Europe %	Elsewhere %	5 April 2017 Total %
Investment Trust Assets:					
Ordinary shares	16.3	4.5	4.9	8.5	34.2
Zero dividend preference shares	12.2	–	–	–	12.2
Other Assets:					
Index-linked	15.6	18.0	2.6	0.3	36.5
Fixed interest	11.0	0.7	–	–	11.7
Cash	3.7	1.2	0.5	–	5.4
	58.8	24.4	8.0	8.8	100.0

Investments of the Company

at 5 October 2017

5 October
2017
£'000

Investment Trust Ordinary Shares:

Vanguard FTSE Japan UCITS ETF	6,004
North Atlantic Smaller Companies	5,493
Vonovia	5,285
Residential Secure Income	3,800
Deutsche Wohnen	3,686
Unite Group	2,907
Civitas Social Housing	2,497
Ground Rents Income Fund Ordinary	2,076
Foreign & Colonial Investment Trust	1,991
Vanguard FTSE Developed Europe Ex UK UCITS ETF	1,961
iShares Physical Gold ETC	1,931
Leg Immobilien	1,895
Castellum	1,887
Triple Point Social Housing REIT	1,801
PRS REIT	1,587
RM Secured Direct Lending	1,576
Schroder UK Growth Fund	1,533
Segro	1,487
iShares Core FTSE 100 ETF	1,482
JPEL Private Equity USD	1,365
DW Catalyst Fund	1,343
EPE Special Opportunities	1,238
Prospect Co	1,238
Oryx International Growth Fund	1,154
SQN Asset Finance Income Fund	1,132
BH Global	1,128
SME Loan Fund	1,119
GCP Infrastructure Investments	1,103
Better Capital PCC	1,067
Foresight Solar Fund	1,057
GCP Asset Backed Income Fund	1,003
Electra Private Equity	940
Ecofin Global Utilities and Infrastructure Trust	919
North American Income Trust	844
John Laing Environmental Assets Group	842
Artemis Alpha Trust	841
International Public Partnerships	791
HICL Infrastructure	737
ADO Properties	735
Candover Investments	697
Grainger	688
Hadrians Wall Secured Investments	653
Rights & Issues Investment Trust	562

Investments of the Company (continued)

at 5 October 2017

	5 October 2017 £'000
Investment Trust Ordinary Shares: (continued)	
Vanguard FTSE 250 UCITS ETF	530
Witan Pacific Investment Trust	529
CLS Holdings	380
Eurovestech	350
Value & Income Trust	338
Mithras Investment Trust	319
Aberdeen Latin American Income	240
Witan Investment Trust	190
Tritax Big Box REIT	184
BBGI SICAV S.A.	156
Marwyn Value Investors	152
Land Securities Group	134
Hansa Trust 'A' Shares	134
Investments with a market value below £100,000	688

78,399

Investment Trust Zero Dividend Preference Shares:

NB Private Equity ZDP 2022	3,258
JP Morgan Private Equity 2017	2,922
JZ Capital Partners 2022	2,357
JP Morgan Income & Capital Trust 2018	2,281
Utilico Investments 2018	1,521
Acorn Income Fund 2022	1,467
GLI Finance 2019	1,233
Utilico Investments 2020	990
Premier Energy & Water Trust 2020	883
Ranger Direct Lending 2021	826
Polar Capital ZDP 2024	718
Taliesin Property Fund 2018	684
Small Companies Dividend Trust 2018	410
Aberforth Split Level Income ZDP 2024	403

19,953

Investments of the Company (continued)

at 5 October 2017

	5 October 2017 £'000
Index-Linked Securities:	
USA Treasury 2.0% 2026	9,164
UK Treasury 0.125% 2019	8,101
USA Treasury 0.125% 2025	7,359
USA Treasury 2.375% 2025	5,315
Sweden (Kingdom of) 0.25% 2022	4,377
UK Treasury 2.5% 2020	3,951
USA Treasury 0.125% 2023	3,508
USA Treasury 0.625% 2021	3,148
USA Treasury 1.75% 2028	2,740
USA Treasury 0.125% 2020	2,563
USA Treasury 0.625% 2024	2,451
USA Treasury 0.625% 2023	2,229
USA Treasury 3.875% 2029	2,199
USA Treasury 0.75% 2042	1,986
USA Treasury 0.125% 2026	1,514
Sweden (Kingdom of) 4.0% 2020	1,299
USA Treasury 1.125% 2021	1,109
Tesco Personal Finance 1.0% 2019	935
UK Treasury 1.875% 2022	895
USA Treasury 1.375% 2020	894
USA Treasury 0.125% 2024	778
Severn Trent 1.3% 2022	672
USA Treasury 0.125% 2019	640
National Grid 1.25% 2021	577
Sydney Airport Finance Company 3.76% 2020	425
UK Treasury 1.25% 2017	284
Places for People Capital Markets 1% 2022	271
Nationwide 3.875% 2021	219
USA Treasury 0.125% 2022	207
The Housing Finance Corporation 5.5% 2024	158
National Grid 2.983% 2018	141
The Housing Finance Corporation 5.65% 2020	122
Investments with a market value below £100,000	148
	70,379

Investments of the Company (continued)

at 5 October 2017

	5 October 2017 £'000
Fixed Interest Securities:	
UK Treasury 30/10/2017	2,000
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	1,933
Edinburgh Dragon Trust 3.5% 2018	1,596
Pershing Square 5.5% 2022	1,216
City Natural Resources 3.5% Convertible Unsecured Loan Stock 2018	1,208
BG Energy Capital 5.125% 2017	1,158
UK Treasury 16/10/2017	1,000
Workspace Group 6% 2019	952
Bruntwood Investments 6.0% 2020	779
Primary Healthcare Properties 5.375% 2019	751
Severn Trent 6.0% 2018	634
CLS Holdings 5.5% 2019	630
NEX Group 5.5% 2018	604
BMW Finance 1.75% 2017	541
Unite Group 6.125% 2020	528
National Grid North America 1.875% 2018	503
Helical 4% 2019	499
LVMH 1.625% 2017	480
Vodafone Group 5.375% 2017	453
Sky Group 5.75% 2017	450
Northumbrian Water 6.0% 2017	390
Ecclesiastical Insurance Office 8.625% Non-Cumulative Irredeemable Preference Shares	374
Bayer AG 5.625% 2018	360
REA Finance B.V. 8.75% 2020	300
Burford Capital 6.5% 2022	242
F&C Global Smaller Companies 3.5% Convertible Unsecured Loan Stock 2019	212
The Mercantile Investment Trust 6.125% 2030	193
Tesco Personal Finance 5.0% 2020	190
St Mowden 6.25% 2019	159
TP ICAP 5.25% 2019	157
Investments with a market value below £100,000	215
	20,707
Total investments	189,438
Cash	3,898
Total investment funds	193,336

Income Statement (unaudited)

for the six months ended 5 October 2017

	Revenue £'000	Capital £'000	(unaudited) 6 months ended 5 October 2017 Total £'000
Net gains on investments	–	3,606	3,606
Exchange (losses)/gains	–	(73)	(73)
Investment income (note 2)	1,238	–	1,238
Gross return	1,238	3,533	4,771
Investment management fee	(204)	(306)	(510)
Other expenses	(204)	–	(204)
Net return on ordinary activities before tax	830	3,227	4,057
Tax on ordinary activities (note 6)	(74)	62	(12)
Net return attributable to equity shareholders	756	3,289	4,045
Return per Ordinary Share (note 3)	16.07p	69.93p	86.00p

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 return/(loss) on ordinary activities before tax and the net return/(loss) attributable to equity shareholders stated above and their historical cost equivalents.

	(unaudited) 6 months ended 5 October 2016			(audited) Year ended 5 April 2017		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	
–	10,071	10,071	–	15,978	15,978	
–	(96)	(96)	–	20	20	
688	–	688	1,448	–	1,448	
688	9,975	10,663	1,448	15,998	17,446	
(154)	(231)	(385)	(333)	(500)	(833)	
(200)	–	(200)	(395)	–	(395)	
334	9,744	10,078	720	15,498	16,218	
–	–	–	(23)	22	(1)	
334	9,744	10,078	697	15,520	16,217	
9.46p	276.01p	285.47p	18.26p	406.59p	424.85p	

Statement of Changes in Equity (unaudited)

for the six months ended 5 October 2017

	Called-up Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Capital reserve* £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2017	1,113	66,610	16	99,976	1,730	169,445
Net return attributable to equity shareholders and total comprehensive income for the period	–	–	–	3,289	756	4,045
New shares issued (note 7)	137	21,290	–	–	–	21,427
Dividends paid (note 4)	–	–	–	–	(926)	(926)
Total transactions with owners recognised directly in equity	137	21,290	–	–	(926)	20,501
Balance at 5 October 2017	1,250	87,900	16	103,265	1,560	193,991

for the six months ended 5 October 2016

	Called-up Share capital £'000	Share premium account £'000	Capital redemption reserves £'000	Capital reserve* £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2016	798	20,934	16	84,453	1,719	107,920
Net return attributable to equity shareholders and total comprehensive income for the period	–	–	–	9,744	334	10,078
Shares issued from treasury (note 7)	–	–	–	3	–	3
New shares issued (note 7)	158	21,945	–	–	–	22,103
Dividends paid (note 4)	–	–	–	–	(686)	(686)
Total transactions with owners recognised directly in equity	158	21,945	–	3	(686)	21,420
Balance at 5 October 2016	956	42,879	16	94,200	1,367	139,418

* The Capital reserve balance at 5 October 2017 includes unrealised gains on fixed asset investments of £19,134,000 (5 October 2016 – gains of £18,286,000 and 6 April 2017 – gains of £21,805,000).

Statement of Financial Position (unaudited)

at 5 October 2017

	(unaudited) 5 October 2017 £'000	(unaudited) 5 October 2016 £'000	(audited) 5 April 2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	189,438	133,240	160,637
Current assets			
Debtors	1,027	1,747	595
Cash at bank and in hand	3,898	5,110	9,121
	4,925	6,857	9,716
Creditors: amounts falling due within one year	(372)	(679)	(908)
Net current assets	4,553	6,178	8,808
Total assets less current liabilities	193,991	139,418	169,445
Capital and reserves			
Called-up share capital	1,250	956	1,113
Share premium account	87,900	42,879	66,610
Capital redemption reserve	16	16	16
Capital reserve	103,265	94,200	99,976
Revenue reserve	1,560	1,367	1,730
Total equity shareholders' funds	193,991	139,418	169,445
Net asset value per Ordinary Share	3,877.7p	3,647.0p	3,805.0p

The Half-Year Financial Report for the six months ended 5 October 2017 was approved by the Board of Directors on 8 November 2017 and signed on its behalf by:

Graham Meek

Chairman

8 November 2017

Cash Flow Statement (unaudited)

for the six months ended 5 October 2017

	(unaudited) 6 months ended 5 October 2017 £'000	(unaudited) 6 months ended 5 October 2016 £'000	(audited) Year ended 5 April 2017 £'000
Net cash outflow from operations before dividends & interest (note 5)	(778)	(443)	(1,058)
Dividends received	688	314	644
Interest received	506	330	616
Cash from operations	414	201	202
Taxation	(12)	–	–
Net cash inflow from operating activities	404	201	202
Payments to acquire investments	(81,177)	(54,453)	(117,112)
Receipts from sale of investments	55,364	27,871	69,913
Net cash outflow from investing activities	(25,813)	(26,582)	(47,199)
Equity dividends paid	(926)	(686)	(686)
Issue of ordinary shares	21,112	21,421	46,048
Net cash inflow from financing activities	20,186	20,735	45,362
Decrease in cash and cash equivalents	(5,223)	(5,646)	(1,635)
Cash and cash equivalents at start of period	9,121	10,756	10,756
Cash and cash equivalents at end of period	3,898	5,110	9,121
Decrease in cash and cash equivalents	(5,223)	(5,646)	(1,635)
Cash and cash equivalents consist of cash at bank, and in hand	3,898	5,110	9,121

Notes to the Financial Statements

1 Basis of preparation

The condensed Financial Statements for the six months to 5 October 2017 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', the AIC's Statement of Recommended Practice issued in November 2014 ("SORP"), 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 2017.

Fair Value

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

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

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

Level 3: valued using inputs that are unobservable.

All of the Company's investments fall into Level 1 for the periods reported.

2 Investment income

	(unaudited) 6 months ended 5 October 2017 £'000	(unaudited) 6 months ended 5 October 2016 £'000	(audited) Year ended 5 April 2017 £'000
Income from investments			
Income from UK bonds	287	193	427
Income from UK equity and non-equity investments	629	339	656
Interest from overseas bonds	223	156	351
Income from overseas equity and non-equity investments	99	–	14
Total income	1,238	688	1,448

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 4,703,266 (5 October 2016: 3,530,359, 5 April 2017: 3,817,149).

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

Notes to the Financial Statements

(continued)

4 Dividends paid

	(unaudited) 6 months ended 5 October 2017 £'000	(unaudited) 6 months ended 5 October 2016 £'000	(audited) Year ended 5 April 2017 £'000
2016 Dividend paid 22 July 2016 (20.0p per share)	–	686	686
2017 Dividend paid 21 July 2017 (20.0p per share)	926	–	–

5 Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(unaudited) 6 months ended 5 October 2017 £'000	(unaudited) 6 months ended 5 October 2016 £'000	(audited) Year ended 5 April 2017 £'000
Net return on ordinary activities before finance costs and taxation	4,057	10,078	16,218
Less capital return on ordinary activities before finance costs and taxation	(3,227)	(9,744)	(15,498)
(Increase)/decrease in prepayments and accrued income	(6)	106	(5)
Increase/(decrease) in accruals and deferred income	18	(4)	42
Management fees charged to capital	(306)	(231)	(500)
(Increase)/decrease in overseas withholding tax	(3)	–	113
Dividends received	(728)	(339)	(670)
Interest received	(510)	(349)	(778)
Realised (losses)/gains on foreign currency transactions	(73)	40	20
Net cash outflow from operations before dividends and interest	(778)	(443)	(1,058)

Notes to the Financial Statements

(continued)

6 Taxation

Capital returns and franked dividend income are not subject to UK corporation tax within an investment trust company. The provision for corporation tax arises from the excess of unfranked investment income over management expenses and irrecoverable overseas withholding tax. During the six months to 5 October 2017, no refund of withholding tax in relation to prior periods was received from the Swiss tax authorities (refunds received during periods to 5 April 2017: £114,000; and 5 October 2016: £88,000).

7 Ordinary Shares

During the period the Company issued 549,545 new Ordinary shares of 25p each for proceeds totalling £21,427,000 (period to 5 October 2016: 631,775 new Ordinary shares of 25p each issued for proceeds totalling £22,103,000, year to 5 April 2017: 1,262,112 new Ordinary shares of 25p each issued for proceeds totalling £45,991,000).

During the period the Company did not repurchase any Ordinary shares (periods to 5 October 2016 and 5 April 2017: nil). At 5 October 2017 no shares were held in treasury (5 October 2016 and 5 April 2017: nil). No shares were re-issued from treasury during the period (periods 5 October 2016 and 5 April 2017: 81 Ordinary shares of 25p each re-issued from treasury for proceeds totalling £3,000).

At 5 October 2017, there were 5,002,719 Ordinary shares in issue (5 October 2016: 3,822,837, 5 April 2017: 4,453,174).

8 Transaction Costs

Transaction costs on acquisitions within the portfolio amounted to £60,000 and transaction costs on sales amounted to £17,000. These costs are included in the book cost of acquisitions and in the net proceeds of disposals.

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 2016 and 5 October 2017 has not been audited. The abridged financial information for the year ended 5 April 2017 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 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:

Steven Cowie BA, CA
PATAC Limited
21 Walker Street
Edinburgh EH3 7HX
Telephone: 0131 538 6610
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	June
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
Financial Times	www.ft.com
AIC	www.theaic.co.uk

For registry queries contact Computershare on 0370 873 5864

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:

<https://www.fca.org.uk/file/notifications-major-interests-shares-tr1-30-junedocx-0>

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 0370 702 0005. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

Capital Gearing Trust P.I.C.

Waterfront Plaza
8 Laganbank Road
Belfast, BT1 3LR

www.capitalgearingtrust.com