

CAPITAL GEARING TRUST P.L.C.

Half-Year Financial Report

For the six months ended 5 October 2018

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 2018, 6,571,764 shares were in issue (5 October 2017: 5,002,719, 5 April 2018: 5,762,919). 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. 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.

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Financial Information and Performance

Performance Highlights

	5 October 2018	5 April 2018
Share Price (pence)	4,100.0	3,910.0
NAV per Share (pence)	3,968.2	3,809.8
Premium/Discount to NAV	3.3%	2.6%
Market Capitalisation (£m)	269.4	225.3
Shareholders' Funds (£m)	260.8	219.6
Shares Outstanding	6,571,764	5,762,919
MSCI UK Index	15,489.6	14,884.2
UK Retail Price Index (at 30 September)	284.1	278.3

Total Returns for periods to 5 October 2018

	6 months	1 Year	3 Years	5 Years	10 Years
Share Price	5.6%	4.5%	29.4%	21.2%	108.2%
NAV per Share	5.3%	2.8%	24.0%	31.4%	106.4%
MSCI UK Index	4.1%	1.4%	30.7%	35.9%	113.0%
Inflation (RPI)	2.1%	3.3%	9.4%	12.8%	30.1%
Share Price rel. to MSCI UK	1.4%	3.1%	(1.0)%	(10.8)%	(2.3)%
Share Price Relative to RPI	3.4%	1.2%	18.3%	7.4%	60.0%

Share price total return performance 2008 to 2018

Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past 10 years, compared with the total return on the MSCI UK Index*. Each measure is rebased to 100 in 2008.



*Source: CG Asset Management Ltd

Interim Management Report

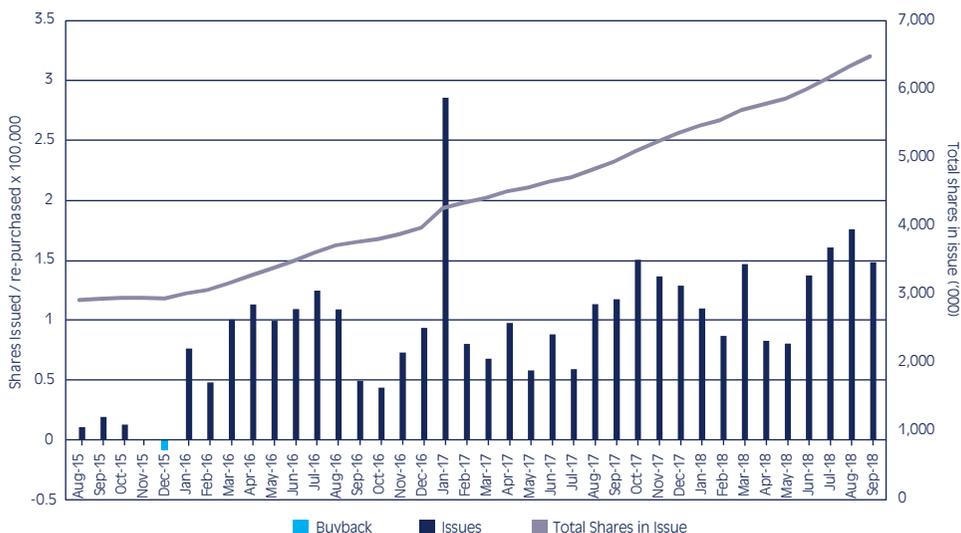
Chairman's Overview

At the half year to 5 October 2018, the net asset value per share was 3,968.2p compared to 3,809.8p as at 5 April 2018, and 3,877.7p a year previously. This represents a total return of 5.3% over the past six months and 2.8% over twelve. This performance compares with total returns of 4.1% in the MSCI UK Index and of 14.4% in the sterling MSCI World Index respectively, for the six month period. Performance in the half-year benefited from a 7% weakening of sterling relative to the dollar. Some 47% of portfolio assets are currently held in non-sterling assets.

Operation of the Company's discount control policy has resulted in a pattern of steady issuance at a premium to net asset value (as shown in the chart below). The Company's issued share capital has increased by 14% over the half-year and is 31% higher than a year ago. The improved marketability in the Company's shares has widened the equity base and extended the shareholder list. In uncertain times, it is clear that the Company's emphasis on capital preservation has an appeal for a significant group of investors.

At the half-year end, total net assets stood at £261m. This growth in the Company's asset base continues to reduce the ongoing cost ratio of the Company. Issuance at a premium has had a beneficial impact on the net asset value per share.

CGT share issuance from August 2015



Interim Management Report (continued)

The Board regularly reviews whether the issuance of new shares might, in any respect, act against the interests of existing investors by, for example, diluting returns. A comparison of the performance of Capital Gearing Trust against a “hard closed” investment fund also managed by CG Asset Management, Capital Gearing Portfolio Fund, which has the same underlying investment policy and a closely aligned portfolio structure, is relevant in answering that question.

Total Returns Over period	Capital Gearing Trust	Capital Gearing Portfolio Fund
1 month	(0.6)%	(0.7)%
3 months	1.7%	1.7%
1 year	5.2%	3.0%
Since August 2015 (when discount policy adopted)	25.8%	25.5%

Note: The performance figures are struck on the quarter days (e.g. 30 September) rather than the tax year (5 April) used by Capital Gearing Trust. The fluctuations of the net asset values on the different reporting dates causes the variation in performance when compared to the interim results of the Company.

The figures shown above strongly support the view (held by the investment manager and the Board) that the steady flow of new money into Capital Gearing Trust has not impacted adversely on the returns achieved for investors, new or old, in the Company. The investment manager has deployed the steady inflows of new money in a productive manner. Moreover, the premium at which the shares have been issued has helped Capital Gearing Trust to outperform its sister fund modestly, whilst also offsetting the costs of running the Company.

Investment Review

Two defining characteristics of the last 36 years, the period since the investment manager took over the running of the Company, have been the collapse in long term interest rates and the negative correlation between stocks and bonds. In turn, this has had three consequences for money managers. Firstly, long dated bonds have been excellent investments. Secondly, as long-term interest rates collapsed, the discount rate applied to other long duration assets, specifically equities, also collapsed, resulting in considerable capital gains. Thirdly, the negative correlation between the two investment types meant that a portfolio combining the two, rebalancing occasionally, performed very well, with low volatility.

By way of illustration, a portfolio comprising solely the S&P500, bought in 1982 and held to December 2017 would have produced a return of 9.8% per annum with a volatility of 17.2%. A portfolio comprising 70% S&P 500 and 30% long-dated US treasuries would have delivered broadly the same return as the pure equity portfolio, but with 30% less volatility.

These dynamics helped Capital Gearing Trust to deliver positive total returns in all but one financial year since the investment manager took over nearly four decades ago.

Interim Management Report (continued)

When equities appeared richly valued, bonds could be relied upon both as a haven against an equity market retreat and as a source of acceptable returns. We revisit this piece of financial history because it is particularly relevant today.

In July 2016, 30-year US treasuries reached a record low yield of 2.1%. Since then they have been largely “range bound” between 2.65-3.25%. Over the first two weeks of October they rose rapidly, reaching a yield of 3.36%. Over the same period, the S&P 500 Index fell by more than 10%. This could be coincidence, but we suspect that it is not. And if it is not, it neatly illustrates a major concern that we have: that negative correlation between stocks and bonds is likely to be much less reliable where long rates are on an upwards trend.

For a Company with a dual objective of preserving shareholder real wealth and achieving absolute total return over the medium to longer term, this environment presents a challenge for portfolio construction. In this environment risks can be at best reduced; they cannot be wholly mitigated. The first response is for the portfolio to have short duration (cash, near cash and short dated government and corporate bonds represented 42% of the portfolio at the half-year end). The second is to allocate a significant part of the portfolio to any low risk asset that delivers a positive real return. There are remarkably few such assets, however US TIPS stand out on this basis, all the more so after yield rises in early October (24% of the portfolio at the half-year end).

The equity holdings in the portfolio have been modestly reduced in percentage terms but retain a similar shape. After a strong run, a few of the specialist property holdings were sold down, including the Unite Group which was no longer obviously good value after exceptional gains. The Company made marginal disposals of German residential property companies, which still have attractions but have performed so well that they needed to be sold to rebalance as a proportion of the portfolio. Other investment activity centered on the renewable energy infrastructure sector, where there has been considerable issuance in the market. During the half-year, the Company participated in placings of Foresight Solar Fund, The Renewable Infrastructure Group, Greencoat UK Wind and Greencoat Renewables. The shares of all of these companies traded well after the placings, helping the equity portfolio as a whole to a strong half-year of gains.

Changes at CG Asset Management

On 19 October 2018 the shareholders of the Company's investment manager (CG Asset Management Limited) sold a majority of their shares to an Employee Ownership Trust (“EOT”). The EOT will hold those shares in perpetuity for the benefit of CG Asset Management employees as a whole, allowing a simple and flexible means of employee equity participation in the future. The Board of Capital Gearing Trust, whilst having no influence on this initiative, welcomes the move which potentially strengthens the depth of management resource and provides continuity to the Company for the future.

Interim Management Report (continued)

Key Information Documents

The Board, following a request for submissions of views on Key Information Documents (“KIDs”) from the FCA at the start of the summer, wrote to express the Board’s reservations, shared by many in the sector, on how the formulaic financial information is being presented in KIDs and how this information, rather than being of assistance to investors in closed-ended funds, could distort and mislead by comparison with financial information already available.

Capital Gearing Trust has for many years invested a considerable portion of its portfolio in quoted investment trusts and other collective investment vehicles. We believe that there is sufficient information available on most other investment trusts in the market to make an informed investment decision, which is after all a requirement of the Listing Rules. The information contained in the KID’s of our Company, and of the other investment trusts we hold as portfolio investments, adds nothing to the investment decision, but often only serves to mislead and distort comparisons.

Conclusion

Currently, both equity and bond markets around the world are undergoing what appears to be a marked correction. After a prolonged bull phase in most risk assets, there is a possibility that market weakness could persist. Against this background, the core objectives of the Company remain intact and relevant – to preserve shareholders’ real wealth and to achieve absolute total return over the medium to longer term and we work hard to position the Company and its portfolio in those directions.

For and on behalf of the Board

Graham Meek

Chairman

14 November 2018

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 2018. There remain uncertainties for the UK economy and financial markets arising from the negotiation and implementation of Brexit. The directors are not aware of any 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 2018. 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

14 November 2018

Distribution of Investment Funds

at 5 October 2018

Distribution of Investment Funds of £263,282,000 at 5 October 2018

	UK %	North America %	Europe %	Elsewhere %	5 October 2018 Total %
Investment Trust Assets:					
Ordinary shares	11.6	2.4	2.2	3.9	20.1
Zero dividend preference shares	7.1	–	–	–	7.1
Other Assets:					
Index-linked	12.4	23.7	0.5	0.1	36.7
Fixed interest	14.4	1.3	0.4	0.6	16.7
Other funds	2.6	0.6	0.3	3.0	6.5
Overseas property shares	–	–	8.0	–	8.0
Cash	4.5	–	0.4	–	4.9
	52.6	28.0	11.8	7.6	100.0

Distribution of Investment Funds of £219,164,000 at 5 April 2018

	UK %	North America %	Europe %	Elsewhere %	5 April 2018 Total %
Investment Trust Assets:					
Ordinary shares	14.7	2.9	0.5	4.2	22.3
Zero dividend preference shares	7.3	–	–	–	7.3
Other Assets:					
Index-linked	13.2	24.3	2.3	0.2	40.0
Fixed interest	8.3	0.7	–	–	9.0
Other funds	2.9	–	1.2	3.0	7.1
Overseas property shares	–	–	8.5	–	8.5
Cash	5.2	0.5	0.1	–	5.8
	51.6	28.4	12.6	7.4	100.0

Investments of the Company

at 5 October 2018

	5 October 2018 £'000
Investment Trust Ordinary shares:	
North Atlantic Smaller Companies	6,240
Investor AB	5,401
Residential Secure Income	3,572
PRS REIT	2,570
Ground Rents Income Fund	2,544
The Renewables Infrastructure Group	2,167
Empiric Student Property	1,985
Grainger	1,759
Oryx International Growth Fund	1,577
P2P Global Investments	1,566
Triple Point Social Housing REIT	1,477
Civitas Social Housing C Shares	1,437
Foresight Solar Fund	1,306
RM Secured Direct Lending	1,303
JPEL Private Equity USD	1,189
Artemis Alpha Trust	910
SME Loan Fund	899
Better Capital PCC	891
SQN Asset Finance C Shares	823
Ecofin Global Utilities and Infrastructure Trust	771
Secure Income REIT	753
LXI REIT	736
BBGI SICAV S.A.	701
Gulf Investment Fund	687
EPE Special Opportunities	677
Eurovestech	675
International Public Partnerships	662
HICL Infrastructure	617
CLS Holdings	595
CATCo Reinsurance Opportunities Fund C Shares	595
Greencoat Renewables	570
CATCo Reinsurance Opportunities Fund	565
Schroder UK Growth Fund	542
Witan Pacific Investment Trust	511
Greencoat UK Wind	408
GCP Asset Backed Income Fund	378
GCP Infrastructure Investments	351
Aberdeen Asian Smaller Companies	339
Value & Income Trust	321
JP Morgan Multi Asset	265
Aberdeen Latin American Income	255
Investments with a market value below £250,000	1,408
	52,998

Investments of the Company (continued)

at 5 October 2018

	5 October 2018 £'000
Investment Trust Zero Dividend Preference Shares:	
NB Private Equity 2022	3,409
JZ Capital Partners 2022	2,431
Utilico Investments 2020	2,118
Utilico Investments 2018	1,697
GLI Finance 2019	1,554
Acorn Income Fund 2022	1,523
Ranger Direct Lending 2021	1,147
Taliesin Property Fund 2018	1,018
Premier Energy & Water Trust 2020	887
Polar Capital 2024	884
NB Private Equity Partners 2024	621
RM Secured Direct Lending 2021	555
Chelverton Smaller Companies 2025	439
Aberforth Split Level Income 2024	403
	18,686

Index-linked:

UK Treasury 0.125% 2019	22,665
USA Treasury 2.0% 2026	8,935
USA Treasury 0.125% 2025	8,789
USA Treasury 3.875% 2029	5,824
USA Treasury 2.375% 2025	5,783
USA Treasury 1.75% 2028	4,457
USA Treasury 2.375% 2027	3,934
UK Treasury 2.5% 2020	3,878
USA Treasury 0.625% 2023	3,681
USA Treasury 3.625% 2028	2,766
USA Treasury 0.625% 2024	2,705
USA Treasury 0.125% 2024	2,624
USA Treasury 0.125% 2026	2,616
USA Treasury 3.375% 2032	2,073
Tesco Personal Finance 1.0% 2019	1,563
USA Treasury 0.75% 2042	1,459
National Grid 1.25% 2021	1,249
Places for People Capital Markets 1% 2022	1,115
USA Treasury 0.125% 2023	1,107
Sweden (Kingdom of) 0.25% 2022	953
USA Treasury 2.5% 2029	913
USA Treasury 0.5% 2028	885
UK Treasury 1.875% 2022	883
Severn Trent 1.3% 2022	832
USA Treasury 0.375% 2025	777

Investments of the Company (continued)

at 5 October 2018

	5 October 2018 £'000
Index-linked: (continued)	
USA Treasury 1.375% 2044	638
USA Treasury 1.125% 2021	441
Sydney Airport Finance Company 3.76% 2020	394
USA Treasury 0.875% 2047	364
USA Treasury 0.75% 2045	363
USA Treasury 2.125% 2041	361
USA Treasury 1.0% 2046	345
USA Treasury 2.125% 2040	312
USA Treasury 0.625% 2043	292
Sweden 1.875% 2018	250
Investments with a market value below £250,000	502
	96,728
	5 October 2018 £'000
Fixed Interest:	
Pershing Square 5.5% 2022	3,592
UK Treasury 12/11/18	3,247
UK Treasury 03/12/18	2,497
UK Treasury 31/12/18	2,496
UK Treasury 18/03/19	1,993
UK Treasury 01/04/19	1,993
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021	1,898
Burford Capital 6.5% 2022	1,839
UK Treasury 11/02/19	1,745
Aberdeen Asian Smaller Companies 2.25% 2025	1,514
UK Treasury 26/11/18	1,498
UK Treasury 25/02/19	1,496
Primary Healthcare Properties 5.375% 2019	1,359
UK Treasury 07/01/19	1,248
Unite Group 6.125% 2020	1,240
UK Treasury 05/11/18	999
UK Treasury 21/01/19	998
UK Treasury 04/02/19	998
UK Treasury 04/03/19	997
Bruntwood Investments 6.0% 2020	902
Helical 4% 2019	897
St Modwen 6.25% 2019	833
GE Capital UK Funding Unlimited Company 4.375% 2019	759
FMS Wertmanagement 1.875% 2018	701
Burford Capital 6.125% 2024	638

Investments of the Company (continued)

at 5 October 2018

	5 October 2018 £'000
Fixed Interest: (continued)	
Home Group Zero Coupon Loan Stock 2027	626
REA Finance B.V. 8.75% 2020	603
UK Treasury 22/10/18	500
UK Treasury 17/12/18	499
A2D Fund 4.75% 2022	478
TP ICAP 5.25% 2024	447
Ecclesiastical Insurance Office 8.625% Non-Cumulative Irredeemable Preference Shares	368
Tesco Personal Finance 5.0% 2020	302
VW Financial Services 1.875% 2021	298
National Grid 0.9% 2020	296
Investments with a market value below £250,000	1,219
	44,013
Other Funds:	
Vanguard FTSE Japan UCITS ETF	5,897
iShares Core FTSE 100 ETF	3,617
iShares Physical Gold ETC	2,640
Vanguard S&P 500 UCITS ETF	1,590
Vanguard FTSE Developed Asia Pacific ex-Japan UCITS ETF	882
Vanguard FTSE Developed Europe ex-UK UCITS ETF	790
Vanguard FTSE Emerging Markets UCITS ETF	629
Vanguard FTSE 250 UCITS ETF	522
iShares JP Morgan Emerging Market Local Government Bond UCITS ETF	475
	17,042
Overseas Property:	
Vonovia	6,699
Deutsche Wohnen	4,711
Castellum	3,230
Leg Immobilien	1,869
Kungsleden	1,615
ADO Properties	1,360
Grand City Properties	881
Atrium Ljungberg AB	507
Hufvudstaden	123
	20,995
Total investments	250,462
Cash	12,820
Total investment funds	263,282

Income Statement (unaudited)

for the six months ended 5 October 2018

	Revenue £'000	Capital £'000	(unaudited) 6 months ended 5 October 2018 Total £'000
Net gains/(losses) on investments	–	8,806	8,806
Exchange gains/(losses)	–	12	12
Investment income (note 2)	2,279	–	2,279
Gross return	2,279	8,818	11,097
Investment management fee	(261)	(391)	(652)
Other expenses	(197)	–	(197)
Net return on ordinary activities before tax	1,821	8,427	10,248
Tax on ordinary activities (note 6)	(99)	87	(12)
Net return attributable to equity shareholders	1,722	8,514	10,236
Return per Ordinary Share (note 3)	28.16p	139.23p	167.39p

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.

Revenue £'000	(unaudited) 6 months ended 5 October 2017			Revenue £'000	(audited) Year ended 5 April 2018	
	Capital £'000	Total £'000	Capital £'000		Total £'000	
–	3,606	3,606	–	(1,243)	(1,243)	
–	(73)	(73)	–	(187)	(187)	
1,238	–	1,238	2,876	–	2,876	
1,238	3,533	4,771	2,876	(1,430)	1,446	
(204)	(306)	(510)	(434)	(652)	(1,086)	
(204)	–	(204)	(419)	–	(419)	
830	3,227	4,057	2,023	(2,082)	(59)	
(74)	62	(12)	(152)	140	(12)	
756	3,289	4,045	1,871	(1,942)	(71)	
16.07p	69.93p	86.00p	37.04p	(38.45)p	(1.41)p	

Statement of Changes in Equity (unaudited)

for the six months ended 5 October 2018

	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 2018	1,441	117,389	16	98,034	2,674	219,554
Net return attributable to equity shareholders and total comprehensive income for the period	–	–	–	8,514	1,722	10,236
New shares issued (note 7) Dividends paid (note 4)	202 –	32,408 –	– –	– –	– (1,619)	32,610 (1,619)
Total transactions with owners recognised directly in equity	202	32,408	–	–	(1,619)	30,991
Balance at 5 October 2018	1,643	149,797	16	106,548	2,777	260,781

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) Dividends paid (note 4)	137 –	21,290 –	– –	– –	– (926)	21,427 (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

* The Capital reserve balance at 5 October 2018 includes unrealised gains on fixed asset investments of £15,033,000 (5 October 2017 – gains of £19,134,000 and 6 April 2018 – gains of £10,819,000).

Statement of Financial Position (unaudited)

at 5 October 2018

	(unaudited) 5 October 2018 £'000	(unaudited) 5 October 2017 £'000	(audited) 5 April 2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	250,462	189,438	206,397
Current assets			
Debtors	3,350	1,027	1,036
Cash at bank and in hand	12,820	3,898	12,767
	16,170	4,925	13,803
Creditors: amounts falling due within one year	(5,851)	(372)	(646)
Net current assets	10,319	4,553	13,157
Total assets less current liabilities	260,781	193,991	219,554
Capital and reserves			
Called-up share capital	1,643	1,250	1,441
Share premium account	149,797	87,900	117,389
Capital redemption reserve	16	16	16
Capital reserve	106,548	103,265	98,034
Revenue reserve	2,777	1,560	2,674
Total equity shareholders' funds	260,781	193,991	219,554
Net asset value per Ordinary Share	3,968.2p	3,877.7p	3,809.8p

The Half-Year Financial Report for the six months ended 5 October 2018 was approved by the Board of Directors on 14 November 2018 and signed on its behalf by:

Graham Meek

Chairman

14 November 2018

Cash Flow Statement (unaudited)

for the six months ended 5 October 2018

	(unaudited) 6 months ended 5 October 2018 £'000	(unaudited) 6 months ended 5 October 2017 £'000	(audited) Year ended 5 April 2018 £'000
Net cash outflow from operations before dividends & interest (note 5)	(821)	(790)	(1,649)
Dividends received	1,483	688	1,472
Interest received	1,132	506	1,381
Net cash inflow from operating activities	1,794	404	1,204
Payments to acquire investments	(86,646)	(81,177)	(139,925)
Receipts from sale of investments	53,946	55,364	92,457
Net cash outflow from investing activities	(32,700)	(25,813)	(47,468)
Equity dividends paid	(1,619)	(926)	(927)
Issue of ordinary shares	32,578	21,112	50,837
Net cash inflow from financing activities	30,959	20,186	49,910
Increase/(decrease) in cash and cash equivalents	53	(5,223)	3,646
Cash and cash equivalents at start of period	12,767	9,121	9,121
Cash and cash equivalents at end of period	12,820	3,898	12,767
Increase/(decrease) in cash and cash equivalents	53	(5,223)	3,646
Cash and cash equivalents consist of cash at bank, and in hand	12,820	3,898	12,767

Notes to the Financial Statements

1 Basis of preparation

The condensed Financial Statements for the six months to 5 October 2018 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 2018.

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 2018 £'000	(unaudited) 6 months ended 5 October 2017 £'000	(audited) Year ended 5 April 2018 £'000
Income from investments			
Income from UK bonds	385	287	662
Income from UK equity and non-equity investments	980	629	1,281
Interest from overseas bonds	435	223	650
Income from overseas equity and non-equity investments	479	99	283
Total income	2,279	1,238	2,876

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 6,115,181 (5 October 2017: 4,703,266, 5 April 2018: 5,050,988).

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 2018 £'000	(unaudited) 6 months ended 5 October 2017 £'000	(audited) Year ended 5 April 2018 £'000
2017 Dividend paid 17 July 2017 (20.0p per share)	–	926	927
2018 Dividend paid 20 July 2018 (27.0p per share)*	1,619	–	–

* The dividend of 27.0p per share paid in respect of the year ended 5 April 2018 comprised an increase in annual dividend to 21.0p per share (2017: 20.0p per share) plus a special dividend of 6.0p per share (2017: no special dividend paid).

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 2018 £'000	(unaudited) 6 months ended 5 October 2017 £'000	(audited) Year ended 5 April 2018 £'000
Net return on ordinary activities before taxation	10,248	4,057	(59)
Less capital return on ordinary activities before taxation	(8,427)	(3,227)	2,082
Decrease/(increase) in prepayments and accrued income	4	(6)	(3)
Increase in accruals and deferred income	12	18	72
Management fees charged to capital	(391)	(306)	(652)
Overseas withholding tax	6	(15)	(12)
Increase in recoverable UK taxation	(6)	–	(14)
Dividends received	(1,459)	(728)	(1,564)
Interest received	(820)	(510)	(1,312)
Gains/(losses) on foreign currency transactions	12	(73)	(187)
Net cash outflow from operations before dividends and interest	(821)	(790)	(1,649)

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 2018, £24,000 of withholding tax in relation to prior periods was received from the Swiss tax authorities (refunds received during periods to 5 April 2018: £nil; and 5 October 2017: £nil).

7 Ordinary Shares

During the period the Company issued 808,845 new Ordinary shares of 25p each for proceeds totalling £32,610,000 (period to 5 October 2017: 549,545 new Ordinary shares of 25p each issued for proceeds totalling £21,427,000, year to 5 April 2018: 1,309,745 new Ordinary shares of 25p each issued for proceeds totalling £51,107,000).

During the period the Company did not repurchase any Ordinary shares (periods to 5 October 2017 and 5 April 2018: nil). At 5 October 2018 no shares were held in treasury (5 October 2017 and 5 April 2018: nil).

At 5 October 2018, there were 6,571,764 Ordinary shares in issue (5 October 2017: 5,002,719, 5 April 2018: 5,762,919).

8 Transaction Costs

Transaction costs on acquisitions within the portfolio amounted to £44,000 and transaction costs on sales amounted to £15,000. 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 2017 and 5 October 2018 has not been audited. The abridged financial information for the year ended 5 April 2018 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
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.

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to us. Further details of the Company's privacy policy can be found on the Company's website www.capitalgearingtrust.com

Key Information Document

In line with the new European regulations for packaged investment products, which came into force in January 2018, a key information document (KID) has been produced for the Company by its AIFM and is available on the Company's website. The KID, which is not the responsibility of the Company, is produced in a prescribed form, with little scope for deviation. Investor's should note that the procedures for calculating risks, costs and potential returns contained in the KID are prescribed by law. These may not reflect the calibration of costs or expected returns for the Company and anticipated returns cannot be guaranteed.

Beware of Share Fraud

Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These are typically from overseas 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares.

Shareholders may also be advised that there is an imminent offer for the Company, and the caller may offer to buy shares at significantly above the market price if an administration fee is paid. This is known as 'boiler room fraud'.

You can find more information about investment scams at the Financial Conduct Authority (FCA) website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Notes

Capital Gearing Trust P.I.C.

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www.capitalgearingtrust.com