

CAPITAL GEARING TRUST P.L.C.

Half-Year Report

For the six months ended 5 October 2021

Company Summary

■ The Company

Capital Gearing Trust P.I.c. ("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 objective

The Company's objective is to preserve, and over time to grow shareholders' real wealth.

■ Capital structure and voting rights

The share capital comprises Ordinary shares of 25 pence each. As at 5 October 2021, 17,206,152 shares were in issue. No Ordinary shares are held in treasury. Each Ordinary share has one vote.

■ Discount/Premium Control Policy

The Company will aim to 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 ("CGAM") for an annual fee of 0.6% of net assets up to £120m, 0.45% on net assets above £120m to £500m and 0.30% thereafter. Company secretarial, administrative and accounting services are provided by Juniper Partners. Custodial and depositary services are carried out by The Northern Trust Company.

■ ISA

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

■ Financial Calendar (guide)

| | |
|------------------------|----------|
| Annual Results | May/June |
| Annual General Meeting | July |
| Dividend Payment Date | July |
| Half-Year Report | November |



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. This Half-Year Financial Report is being produced during a continuing period of health, social and economic uncertainty around the world, the impact of which is difficult to predict. The Board and its advisers, including CG Asset Management and Juniper Partners, have endeavoured to produce these accounts in good faith and in accordance with legislation, regulations, reporting standards and to be useful to stakeholders in the Company, including its shareholders.

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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 website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Financial Summary

Key Data

| | 5 October 2021 | 5 April 2021 |
|-----------------------------------|-------------------|-----------------|
| Share Price (pence) | 4,995.0 | 4,715.0 |
| NAV per Share (pence) | 4,894.6 | 4,590.2 |
| Premium to NAV (%) ⁽¹⁾ | 2.1 | 2.7 |
| Market Capitalisation (£m) | 859.4 | 651.3 |
| Shareholders' Funds (£m) | 842.2 | 634.0 |
| Shares in issue | 17,206,152 | 13,813,113 |

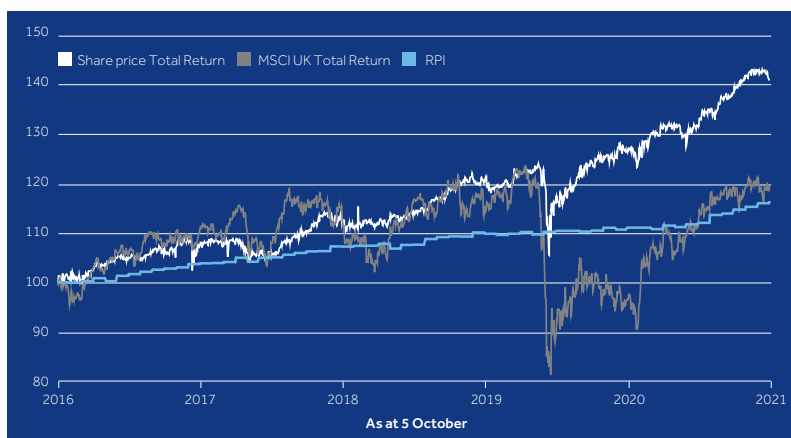
Total Returns for periods to 5 October 2021*

| | 6 months (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) | 10 Years (%) |
|--|-----------------|---------------|----------------|----------------|-----------------|
| Share Price ⁽¹⁾ | 6.9 | 11.3 | 25.2 | 41.0 | 79.7 |
| NAV per Share ⁽¹⁾ | 8.2 | 12.1 | 27.0 | 39.1 | 84.8 |
| MSCI UK Index | 7.7 | 24.1 | 6.4 | 19.8 | 97.4 |
| Inflation (RPI) (to 30 September 2021) | 3.9 | 4.9 | 8.6 | 16.5 | 29.7 |
| Share Price rel. to MSCI UK | -0.7 | -10.3 | 17.6 | 27.7 | -8.9 |
| Share Price Relative to RPI | 2.9 | 6.1 | 15.3 | 21.0 | 38.6 |

*Source: Refinitiv Datastream

Share price total return performance 2016 to 2021

Based on mid-market prices, the graph below illustrates the total return to investors in the Company over the past five years, compared with the total return on the MSCI UK Index*. Each measure is rebased to 100 in 2016.



* Source: Refinitiv Datastream

⁽¹⁾ Alternative Performance Measure. Please refer to page 21 for a glossary of terms and definitions.

Chairman's Statement

We are now some 18 months into the pandemic, and whilst equity markets have been relatively resilient, there has been considerable pricing volatility below the surface. There is now real evidence of rising inflation in the economy. This increase has arisen from monetary policies and government support and now skill shortages and supply line constraints, generated by the sharp recovery as the economies reopen, which is feeding through to increased labour costs. Inflation is one of our emerging risks and is taken account in how the portfolio is positioned.

At 5 October 2021, the net asset value per share was 4,894.6p, compared to 4,590.2p at 5 April 2021. Including dividends reinvested in the period, this represents a total return of 8.2% over the past six months and 12.1% over the last twelve months, a creditable outcome. Whilst the Company does not have a formal benchmark, other than to beat the RPI index over the medium term, the performance has exceeded the rise of 7.7% in the MSCI UK Index over the past six months, but has lagged the 24.1% return from this index over the past year as equities bounced back strongly after the initial collapse at the start of the pandemic. The RPI has risen by 4.9% over the last year. The Company's returns over the last six months have been boosted by strong performance from the equity portfolio, notably the property funds, which have predominantly inflation-linked income-based returns.

The demand for the Company's shares has continued, and net assets have grown from £634.0m at 5 April 2021 to £842.2m at 5 October 2021, with net issuance of £167.0m demonstrating the attractiveness of the Company's relatively defensive positioning. Activity under the Discount Control Policy ('DCP') was all on issuance as the Company bought back no shares during the period. Our DCP continues to work well and has provided liquidity in the market for both buyers, and potential sellers, of the Company's shares, as well as covering the costs of the DCP and contributing to performance.

The growth in the net assets has continued to drive down the ongoing charges ratio ('OCR'). There is a significant cost benefit now that the assets are well over the £500m threshold and are subject to the reduced 0.3% per annum management fee above this level. We are very pleased at the Company's competitive cost basis and the liquidity of the fund, both of which support a very creditable total return performance over short, medium and longer terms, despite very challenging market conditions.

Governance update

As noted in our annual report, Alastair Laing, who is one of the co-managers of the Company, stepped down from the Board at the AGM held in July 2021. The Board is now fully independent of the Manager, and continues to operate with four highly engaged members; we will keep it as such for the time being, but will continue to review both the make-up of the Board and succession planning.

The Board works closely with the Manager and the other agents of the Company to ensure that the Company's operations are resilient and that the portfolio is robust to meet challenges and opportunities that have arisen during the pandemic.

At the AGM, shareholders approved a clarification of the wording of the Company's investment objectives. The objective is now to preserve, and over time to grow shareholders' real wealth. As preserving shareholders' real wealth is core to the investment objective, greater emphasis is placed on avoiding loss than on maximising returns. Achieving the investment objective implies returns at least in line with inflation over the short term and significantly ahead of inflation over the long term.

Chairman's Statement (continued)

The Board has reviewed the annual reporting timetable and concluded that using a period end which coincides with monthly and quarterly reporting is more appropriate than the historic basis, which coincided with fiscal year end. The Board is therefore proposing to change the Company's year end to 31 March. This change brings the accounting reference date into line with month-end performance reporting adopted by the investment trust sector more generally. The next set of audited financial statements of the Company will cover the period to 31 March 2022. A change in accounting reference period does not require shareholder approval.

The Company, through the Board and its Manager, strives to achieve high standards of Corporate Governance. ESG is very important and the Manager has core principles that underpin its investment practices and commitments to be a responsible investor. The Manager seeks to be a good steward of clients' assets and believes that a considered and active approach helps make better investment decisions. The Manager is a signatory to the UN PRI, is very engaged in the investments it makes and is recognised as an active investor.

Outlook

There has been some rotation in equity markets globally, away from market leading technology stocks, which have been the beneficiary of lockdown, towards more traditional industries which should recover as the world economies open up again. However, there has been a sharp rise in inflation and there is a likelihood that Central Banks will increase interest rates at some stage, albeit slowly and modestly given the high debt levels. Our Manager is less sure that the rise in inflation will be as 'transient' as some Central Banks suggest. As the Manager explains in its report, bond yields have risen as a consequence, hence our Manager has reduced the amount in corporate debt and preference shares in the portfolio.

Market returns have been considerably higher than might have been expected over the last few years, especially with the impacts of a global pandemic to contend with. We do not, however, believe that this relative strength can last indefinitely, although above inflation returns could continue for a while yet. Pricing volatility is higher, and this calls for patient, long term investing, often ignoring shorter-term market sentiments.

We remain steadfastly cautious, given the many challenges in the world, and our priority remains to protect shareholders' capital. We believe that our Manager can navigate tricky markets applying both skill and patience. Our aim is to continue to provide shareholders with an absolute return over the medium to longer term, through careful stock selection and asset allocation, as the Company has done over a track record of some decades.

For and on behalf of the Board

Jean Matterson

Chairman

12 November 2021

Investment Manager's Report

All areas of the portfolio contributed to a strong period of returns but once again it was the risk assets that were notably strong. Property companies, which make up 20% of the portfolio, were really enjoying their moment in the sun. Three property companies were subject to bids in the period; GCP Student Living plc, Kungsleden AB and Deutsche Wohnen SE. There was a sharp increase in investor appetite for companies with secure inflation protected cash flows, explaining the strong performance of Tritax Big Box REIT plc, Secure Income REIT plc and LXI REIT plc. Property returns were so strong that we have marginally reduced our holdings in this area on the back of the gains.

Much of the proceeds of property sales have been recycled into a range of infrastructure opportunities. Infrastructure has some similarity in risk profile to property given its asset backing and long dated inflation protected cash flows. As property companies have re-rated from large discounts to premia the relative attraction of infrastructure has increased. New positions were built up via primary placings during a bonanza of issuance, including the IPO of Cordiant Digital Infrastructure Limited and placings in International Public Partnerships Limited, Digital 9 Infrastructure plc and the Renewables Infrastructure Group Limited. Of course the reason these infrastructure companies do not trade on higher ratings is precisely due to their frequent issuance. Even with this caveat, the opportunity to purchase these investments at close to NAV makes sense in an increasingly inflationary environment.

The most consequential economic development in the period has been the resurgence of inflation and the slow, but inevitable, recognition that it is not a transitory phenomenon. It is clear that supply chain issues will dog the global economy for a number of years. Soaring energy and power prices will be reflected in higher goods and services prices over the next 18 months. Employers are having to pay notably higher wages than before the Covid crisis to fill roles in the hospitality, healthcare and the travel industries. A year after the recovery of capital values in the residential property market there are signs that rents are increasing more briskly. As living standards are squeezed, the prospect of an increase in industrial action next year looms larger. Central bankers are now in a bind having overstated the case for transitory inflation they are now behind the curve in keeping price increases under control.

To sharpen the dilemma, the global economy is slowing sharply at the same time as inflation is accelerating. The zombie that is stagflation, long thought dead, is now ominously stirring. This stagflationary backdrop was one in which index-linked bonds performed well. Aided by the strength of the dollar, the holdings of US Treasury Inflation Protected Securities returned 9%. Even the holdings of short UK inflation-linked gilts delivered 4%. An astonishing return given their duration of two years.

The portfolio as a whole remains defensively positioned with a focus on inflation protection. After a period of impressive returns the prospects for further significant real gains look dimmer. Our current ambitions are simply to maintain the value of investors' capital after fees, taxes and inflation. If we can achieve this ambition we are confident there will be more attractive opportunities in the future after a reset in the extremely elevated prices in the bond market, the equity market or possibly in both.

Peter Spiller

Alastair Laing

Christopher Clothier

12 November 2021

Interim Management Report

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and the Investment Manager's Report.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company were explained in detail within the Annual Report issued in May 2021. There remain uncertainties for the UK economy and financial markets particularly arising from the ongoing economic impact of the Covid pandemic. The directors continue to assess the implications for the Company including the resilience of the reporting and control systems in place for the Manager and other key service providers. The directors continue to work with the agents and advisers to the Company to manage the risks, including any emerging risks the best they can. The directors are not aware of any new material risks or uncertainties for the Company and its investors other than those mentioned above and in the Chairman's statement.

Related Party Transactions

Details of related party transactions are contained in the Annual Report issued in May 2021. There have been no material changes to be reported.

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 continue to adopt the going concern basis of accounting in preparing the interim financial information.

Statement of Directors' Responsibilities

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

- (i) The condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);
- (ii) The Half-Year 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 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); and
- (iii) the Half-Year Report, taken as a whole, is fair balanced and understandable and provides information necessary for shareholders to access the Company's performance, position and strategy.

For and on behalf of the Board

Jean Matterson

Chairman

12 November 2021

Corporate Information

Directors

Jean Matterson, Chairman
Robin Archibald
Wendy Colquhoun
Paul Yates

Company Secretary and Administrator

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E-mail:
company.secretary@capitalgearingtrust.com
Telephone: 0131 378 0500

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Registered number

NI005574

Company Website

www.capitalgearingtrust.com

AIC

Association of Investment Companies
www.theaic.co.uk

Investment Manager

CG Asset Management Limited
25 Moorgate, London EC2R 6AY

Registrar

Computershare Investor Services plc
The Pavilions, Bridgewater Road,
Bristol BS13 8AE
Telephone: 0370 873 5864

Depositary, Custodian and Banker

The Northern Trust Investor Services Limited
50 Bank Street, Canary Wharf,
London E14 5NT

Corporate Stockbroker

JP Morgan Cazenove
25 Bank Street, Canary Wharf,
London E14 5JP

Independent Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Distribution of Investment Funds

at 5 October 2021

Distribution of assets of £840,899,000 at 5 October 2021

| | Currency Exposure | | | | | | Total (%) |
|----------------------------------|-------------------|-------------|------------|---------------|--------------|------------|--------------|
| | Sterling | US Dollar | Euro | Swedish Krona | Japanese Yen | Other | |
| Index-linked Government Bonds | 5.4 | 20.0 | – | 1.9 | 3.0 | – | 30.3 |
| Conventional Government Bonds | 13.0 | – | – | – | – | 0.5 | 13.5 |
| Preference Shares/Corporate Debt | 6.4 | 0.3 | – | – | – | 0.2 | 6.9 |
| Funds/Equities | 35.4 | 4.9 | 3.6 | 1.7 | – | – | 45.6 |
| Cash | 1.7 | 0.6 | – | – | – | – | 2.3 |
| Gold | 1.4 | – | – | – | – | – | 1.4 |
| Total | 63.3 | 25.8 | 3.6 | 3.6 | 3.0 | 0.7 | 100.0 |

Distribution of assets of £631,472,000 at 5 April 2021

| | Currency Exposure | | | | | | Total (%) |
|----------------------------------|-------------------|-------------|------------|---------------|--------------|------------|--------------|
| | Sterling | US Dollar | Euro | Swedish Krona | Japanese Yen | Other | |
| Index-Linked Government Bonds | 3.4 | 20.9 | – | 2.0 | 3.2 | 0.4 | 29.9 |
| Conventional Government Bonds | 6.2 | – | – | – | – | – | 6.2 |
| Preference Shares/Corporate Debt | 9.1 | 1.2 | – | – | – | – | 10.3 |
| Funds/Equities | 37.5 | 1.1 | 5.2 | 2.2 | – | – | 46.0 |
| Cash | 5.8 | – | – | – | – | – | 5.8 |
| Gold | 1.8 | – | – | – | – | – | 1.8 |
| Total | 63.8 | 23.2 | 5.2 | 4.2 | 3.2 | 0.4 | 100.0 |

Investments of the Company

at 5 October 2021

The top ten investments in each asset category are listed below. The full portfolio listing of the Company as at 5 October 2021 is published on the Company's website www.capitalgearingtrust.com.

| | £'000 | % of assets |
|---|----------------|-------------|
| Top 10 Index-Linked Government Bonds | | |
| UK Treasury 0.125% 2024 | 32,092 | 3.8 |
| USA Treasury 0.125% 2026 | 12,041 | 1.4 |
| Japan Treasury 0.1% 2029 | 10,941 | 1.3 |
| USA Treasury 1.375% 2044 | 10,705 | 1.3 |
| USA Treasury 0.75% 2045 | 10,553 | 1.3 |
| USA Treasury 0.125% 2026 | 10,523 | 1.2 |
| US Treasury 2.0% 2026 | 10,236 | 1.2 |
| USA Treasury 0.625% 2023 | 9,057 | 1.1 |
| Japan Treasury 0.1% 2028 | 7,887 | 0.9 |
| UK Treasury 1.875% 2022 | 7,354 | 0.9 |
| | 121,389 | 14.4 |
| Top 10 Conventional Government Bonds | | |
| UK Treasury 07/03/22 | 9,997 | 1.2 |
| UK Treasury 22/11/21 | 6,999 | 0.8 |
| UK Treasury 29/11/21 | 6,999 | 0.8 |
| UK Treasury 28/02/22 | 6,998 | 0.8 |
| UK Treasury 21/02/22 | 6,998 | 0.8 |
| UK Treasury 18/10/21 | 6,000 | 0.7 |
| UK Treasury 31/01/22 | 5,999 | 0.7 |
| UK Treasury 11/10/21 | 5,000 | 0.6 |
| UK Treasury 01/11/21 | 5,000 | 0.6 |
| UK Treasury 08/11/21 | 5,000 | 0.6 |
| | 64,990 | 7.6 |

Investments of the Company (continued)

at 5 October 2021

| | £'000 | % of assets |
|---|----------------|--------------|
| Top 10 Preference Shares/Corporate Debt | | |
| NB Private Equity 2022 (<i>zero dividend preference shares</i>) | 4,445 | 0.5 |
| National Grid 1.25% 2021 (<i>corporate debt</i>) | 4,259 | 0.5 |
| Severn Trent 1.3% 2022 (<i>corporate debt</i>) | 3,599 | 0.4 |
| Burford Capital 6.5% 2022 (<i>corporate debt</i>) | 3,100 | 0.4 |
| Aberdeen Asian Smaller Companies 2.25% 2025 (<i>corporate debt</i>) | 2,930 | 0.4 |
| Burford Capital 6.125% 2024 (<i>corporate debt</i>) | 2,902 | 0.3 |
| Acorn Income Fund 2022 (<i>zero dividend preference shares</i>) | 2,614 | 0.3 |
| Places for People Capital Markets 1% 2022 (<i>corporate debt</i>) | 2,513 | 0.3 |
| Burford Capital 6.125% 2025 (<i>corporate debt</i>) | 2,489 | 0.3 |
| Bruntwood Investments 6.0% 2025 (<i>corporate debt</i>) | 2,386 | 0.3 |
| | 31,237 | 3.7 |
| Top 10 Funds/Equities | | |
| iShares MSCI Japan ESG Screened UCITS ETF | 37,290 | 4.4 |
| Grainger | 18,265 | 2.2 |
| North Atlantic Smaller Companies | 17,496 | 2.1 |
| Secure Income REIT | 16,620 | 2.0 |
| Vonovia | 16,351 | 1.9 |
| iShares Core FTSE 100 ETF | 15,804 | 1.9 |
| Vanguard FTSE 100 UCITS ETF | 15,614 | 1.9 |
| GCP Student Living | 11,508 | 1.4 |
| PRS REIT | 10,226 | 1.2 |
| Tritax Eurobox | 9,663 | 1.1 |
| | 168,837 | 20.1 |
| Gold | | |
| Wisdomtree Physical Swiss Gold | 11,450 | 1.4 |
| Other Investments | 424,092 | 50.5 |
| Cash | 18,904 | 2.3 |
| Total assets | 840,899 | 100.0 |

Income Statement (unaudited)

for the six months ended 5 October 2021

| | Revenue £'000 | Capital £'000 | (unaudited) 6 months ended 5 October 2021 Total £'000 |
|---|------------------|------------------|---|
| Net gains on investments | – | 42,713 | 42,713 |
| Net currency gains/(losses) | – | 147 | 147 |
| Investment income (note 2) | 7,261 | – | 7,261 |
| Gross return | 7,261 | 42,860 | 50,121 |
| Investment management fee | (1,646) | – | (1,646) |
| Other expenses | (345) | – | (345) |
| Net return before tax | 5,270 | 42,860 | 48,130 |
| Tax charge on net return | (218) | – | (218) |
| Net return attributable to equity shareholders | 5,052 | 42,860 | 47,912 |
| Net return per Ordinary share (note 3) | 32.60p | 276.55p | 309.15p |

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.

Income Statement (unaudited) (continued)

| | | (unaudited) 6 months ended 5 October 2020 Total £'000 | | | (audited) Year ended 5 April 2021 Total £'000 |
|------------------|------------------|---|------------------|------------------|---|
| Revenue £'000 | Capital £'000 | | Revenue £'000 | Capital £'000 | |
| – | 39,137 | 39,137 | – | 57,452 | 57,452 |
| – | (80) | (80) | – | (116) | (116) |
| 4,933 | – | 4,933 | 9,942 | – | 9,942 |
| 4,933 | 39,057 | 43,990 | 9,942 | 57,336 | 67,278 |
| (1,256) | – | (1,256) | (2,604) | – | (2,604) |
| (306) | – | (306) | (612) | – | (612) |
| 3,371 | 39,057 | 42,428 | 6,726 | 57,336 | 64,062 |
| (211) | – | (211) | (396) | – | (396) |
| 3,160 | 39,057 | 42,217 | 6,330 | 57,336 | 63,666 |
| 26.61p | 328.87p | 355.48p | 51.04p | 462.35p | 513.39p |

Statement of Changes in Equity (unaudited)

for the six months ended 5 October 2021

| | 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 2021 | 3,453 | 463,437 | 16 | 158,378 | 8,762 | 634,046 |
| Net return attributable to equity shareholders and total comprehensive income for the period | – | – | – | 42,860 | 5,052 | 47,912 |
| New shares issued (note 6) | 848 | 166,142 | – | – | – | 166,990 |
| Dividends paid (note 4) | – | – | – | – | (6,771) | (6,771) |
| Total transactions with owners recognised directly in equity | 848 | 166,142 | – | – | (6,771) | 160,219 |
| Balance at 5 October 2021 | 4,301 | 629,579 | 16 | 201,238 | 7,043 | 842,177 |

for the six months ended 5 October 2020

| | 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 2020 | 2,903 | 362,726 | 16 | 97,081 | 7,333 | 470,059 |
| Net return attributable to equity shareholders and total comprehensive income for the period | – | – | – | 39,057 | 3,160 | 42,217 |
| New shares issued (note 6) | 178 | 31,456 | – | – | – | 31,634 |
| Shares re-issued from treasury (note 6) | – | 309 | – | 4,041 | – | 4,350 |
| Dividends paid (note 4) | – | – | – | – | (4,901) | (4,901) |
| Total transactions with owners recognised directly in equity | 178 | 31,765 | – | 4,041 | (4,901) | 31,083 |
| Balance at 5 October 2020 | 3,081 | 394,491 | 16 | 140,179 | 5,592 | 543,359 |

* The Capital reserve balance at 5 October 2021 includes unrealised gains on fixed asset investments of £62,538,000 (5 October 2020 – gains of £28,718,000 and 5 April 2021 – gains of £38,200,000).

Statement of Financial Position (unaudited)

at 5 October 2021

| | (unaudited) 5 October 2021 £'000 | (unaudited) 5 October 2020 £'000 | (audited) 5 April 2021 £'000 |
|---|---|---|---------------------------------------|
| Fixed assets | | | |
| Investments held at fair value through profit or loss | 821,995 | 509,624 | 594,230 |
| Current assets | | | |
| Debtors | 4,523 | 2,527 | 3,895 |
| Cash at bank and in hand | 18,904 | 39,314 | 37,242 |
| | 23,427 | 41,841 | 41,137 |
| Creditors: amounts falling due within one year | (3,245) | (8,106) | (1,321) |
| Net current assets | 20,182 | 33,735 | 39,816 |
| Total assets less current liabilities | 842,177 | 543,359 | 634,046 |
| Capital and reserves | | | |
| Called-up share capital | 4,301 | 3,081 | 3,453 |
| Share premium account | 629,579 | 394,491 | 463,437 |
| Capital redemption reserve | 16 | 16 | 16 |
| Capital reserve | 201,238 | 140,179 | 158,378 |
| Revenue reserve | 7,043 | 5,592 | 8,762 |
| Total equity shareholders' funds | 842,177 | 543,359 | 634,046 |
| Net asset value per Ordinary share | 4,894.6p | 4,409.0p | 4,590.2p |

The Half-Year Financial Report for the six months ended 5 October 2021 was approved by the Board of Directors on 12 November 2021 and signed on its behalf by:

Jean Matterson

Chairman

12 November 2021

Cash Flow Statement (unaudited)

for the six months ended 5 October 2021

| | (unaudited) 6 months ended 5 October 2021 £'000 | (unaudited) 6 months ended 5 October 2020 £'000 | (audited) Year ended 5 April 2021 £'000 |
|--|--|--|--|
| Net cash outflow from operations before dividends & interest (note 5) | (1,756) | (1,665) | (3,211) |
| Dividends received | 5,168 | 3,196 | 6,641 |
| Interest received | 1,800 | 1,885 | 3,916 |
| Tax paid | – | – | (90) |
| Net cash inflow from operating activities | 5,212 | 3,416 | 7,256 |
| Payments to acquire investments | (413,107) | (178,212) | (372,428) |
| Receipts from sale of investments | 230,037 | 149,755 | 269,854 |
| Net cash outflow from investing activities | (183,070) | (28,457) | (102,574) |
| Equity dividends paid | (6,771) | (4,901) | (4,901) |
| Net proceeds from the issue of Ordinary shares | 166,291 | 35,615 | 103,820 |
| Net cash inflow from financing activities | 159,520 | 30,714 | 98,919 |
| (Decrease)/increase in cash and cash equivalents | (18,338) | 5,673 | 3,601 |
| Cash and cash equivalents at start of period | 37,242 | 33,641 | 33,641 |
| Cash and cash equivalents at end of period | 18,904 | 39,314 | 37,242 |

Notes to the Financial Statements

1 Basis of preparation

The condensed Financial Statements for the six months to 5 October 2021 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 April 2021 ("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 2021.

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.

As at 5 October 2021 £819,786,000 (5 October 2020: £509,059,000; 5 April 2021 £593,804,000) of the Company's investments were classified as Level 1 with £2,209,000 classified as Level 3 (5 October 2020: £565,000; 5 April 2021 £426,000). During the period, one asset (Gabelli Value Plus Investment Trust) was moved from Level 1 to Level 3 as it delisted.

2 Investment income

| | (unaudited) 6 months ended 5 October 2021 £'000 | (unaudited) 6 months ended 5 October 2020 £'000 | (audited) Year ended 5 April 2021 £'000 |
|---|--|--|--|
| Income from investments | | | |
| Interest from UK bonds | 900 | 740 | 1,329 |
| Dividends from UK equity and non-equity investments | 3,138 | 2,563 | 4,194 |
| Interest from overseas bonds | 1,055 | 991 | 1,994 |
| Dividends from overseas equity and non-equity investments | 2,168 | 639 | 2,425 |
| Total income | 7,261 | 4,933 | 9,942 |

3 Net 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 15,497,952 (5 October 2020: 11,876,181, 5 April 2021: 12,401,011).

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 2021 £'000 | (unaudited) 6 months ended 5 October 2020 £'000 | (audited) Year ended 5 April 2021 £'000 |
|---|--|--|--|
| 2020 Dividend paid 17 July 2020 (42.0p per share) | – | 4,901 | 4,901 |
| 2021 Dividend paid 16 July 2021 (45.0p per share) | 6,771 | – | – |

5 Reconciliation of net return before tax to net cash outflow from operations before dividends and interest

| | (unaudited) 6 months ended 5 October 2021 £'000 | (unaudited) 6 months ended 5 October 2020 £'000 | (audited) Year ended 5 April 2021 £'000 |
|--|--|--|--|
| Net return before tax | 48,130 | 42,428 | 64,062 |
| Less capital gain before tax | (42,860) | (39,057) | (57,336) |
| Decrease/(increase) in prepayments | 7 | (44) | 40 |
| Increase in accruals and deferred income | 106 | 20 | 114 |
| Overseas withholding tax | (25) | (16) | (28) |
| Increase in recoverable UK tax | – | (3) | (5) |
| Dividends received | (5,306) | (3,202) | (6,619) |
| Interest received | (1,955) | (1,732) | (3,323) |
| Realised gains/(losses) on foreign currency transactions | 147 | (59) | (116) |
| Net cash outflow from operations before dividends and interest | (1,756) | (1,665) | (3,211) |

Notes to the Financial Statements (continued)

6 Ordinary shares

During the period the Company issued 3,393,039 new Ordinary shares of 25p each for proceeds totalling £166,990,000 and no Ordinary shares were issued from treasury (period to 5 October 2020: 712,300 new Ordinary shares of 25p each issued for proceeds totalling £31,634,000 and re-issued 102,300 Ordinary shares from treasury for proceeds of £4,350,000, year to 5 April 2021: 2,201,550 new Ordinary shares of 25p each issued for proceeds totalling £100,872,000 and re-issued 102,300 Ordinary shares from treasury for proceeds of £4,350,000).

During the period the Company did not repurchase any Ordinary shares (period to 5 October 2020 and year to 5 April 2021: nil). At 5 October 2021 no Ordinary shares were held in treasury (5 October 2020 and 5 April 2021: nil).

At 5 October 2021, there were 17,206,152 Ordinary shares in issue (5 October 2020: 12,323,863, 5 April 2021: 13,813,113).

7 General information

The financial information contained in this Half-Year 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 2020 and 5 October 2021 have not been audited. The abridged financial information for the year ended 5 April 2021 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. See page 8 for contact details.

Ongoing Charges

The Company publishes its ongoing charges ('ongoing cost ratio' or 'OCR') every year on two bases, the first excluding and the second including fees of collective funds invested in by the Company:

| | OCR (excluding costs of underlying funds) | OCR (including costs of underlying funds) |
|-------------------------|---|---|
| Year ended 5 April 2021 | 0.58% | 0.90% |
| Year ended 5 April 2020 | 0.65% | 0.91% |

Frequency of NAV Publication

Daily

How to Invest

Via your bank, stockbroker or other financial adviser.

Share Price

The Company's share price can be found on the London Stock Exchange website by using the Company's TIDM code 'CGT' within the price search facility. The share price is also available on the Company's website.

Share Identification Codes

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

Substantial Shareholdings

The Disclosure Guidance 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/markets/ukla/regulatory-disclosures/submit-investor-notification>

Contacting the Board

Any shareholders wishing to communicate directly with the Board should do so via the Company Secretary. See page 8 for contact details.

Glossary of Terms and Definitions

Alternative Performance Measure

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. The Company's alternative performance measures are NAV total return, share price total return, premium/discount to NAV and ongoing charges (OCR). Further information is provided below. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment trust.

Drawdown

For the purposes of the Company, a drawdown is a peak-to-trough decline in the Company's portfolio value during a specific period. It is usually quoted as the percentage between the peak and subsequent trough.

Earnings per share

Earnings per share are calculated by dividing the net return attributable to equity shareholders by the weighted average number of Ordinary shares in issue.

Net Asset Value or NAV

The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.

Ongoing Charges

The Company publishes its ongoing charges ('ongoing cost ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses are expressed as a percentage of the average daily net assets during the year.

Premium/Discount to NAV

The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.

| | | 5 October 2021 | 5 April 2021 |
|---------------|-------------|-------------------|-----------------|
| NAV per share | a | 4,894.6p | 4,590.2p |
| Share price | b | 4,995.0p | 4,715.0p |
| Premium | c c=(b-a)/a | 2.1% | 2.7% |

Total Return

Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend.

Capital Gearing Trust P.l.c.

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