

This document comprises a prospectus relating to Capital Gearing Trust P.L.C. (the "**Company**"). This prospectus has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under the UK Prospectus Regulation. The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and the Prospectus Regulation Rules. Such approval should not be considered as an endorsement of the issuer that is the subject of this prospectus, nor should it be considered as an endorsement of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares. This prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of UK Prospectus Regulation. This document will be made available to the public in accordance with the UK Prospectus Regulation by being made available at www.capitalgearingtrust.com.

The Directors of the Company, whose names appear on page 19 of this document, and the Company each accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

CAPITAL GEARING TRUST P.L.C.

(Incorporated in Northern Ireland with registered no. NI005574)

(Registered as an investment company under section 833 of the Companies Act 2006)

Issue of new Ordinary Shares pursuant to the Company's discount and premium control policy

Applications will be made to the FCA for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 18 June 2021 to 16 June 2022.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document and the offering of New Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the FCA, is the sponsor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United

Kingdom or, in the case of Overseas Investors, another appropriately authorised financial adviser. **Potential investors should also consider the risk factors relating to the Company set out on pages 10 to 13 of this document.**

17 June 2021

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SUMMARY

INTRODUCTION AND WARNING

Introduction

This document relates to the issue of ordinary shares of 25 pence each (the "**Ordinary Shares**") in the capital of Capital Gearing Trust P.I.c. (the "**Company**") in accordance with the Company's discount and premium control policy. The ISIN for the Ordinary Shares is GB0001738615. The LEI of the Company is 213800T2PJTPVF1UGW53 and its registered office is at c/o Carson McDowell LLP, Murray House, Murray Street, Belfast BT1 6DN (Tel: 0131 378 0500).

This prospectus was approved by the Financial Conduct Authority (the "**FCA**") in the United Kingdom on 17 June 2021. The head office of the FCA is at 12 Endeavour Square, London E20 1JN (Tel: 020 7066 1000).

Warning

The following summary should be read as an introduction to this document. Any decision to invest in the Ordinary Shares should be based on a consideration of this document as a whole by the investor. An investor could lose all or part of the invested capital. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or where it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.

It should be remembered that the price of the Ordinary Shares, and the income from such Ordinary Shares (if any), may go down as well as up. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who understand the potential risk of capital loss (which may be equal to the whole amount invested).

KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Capital Gearing Trust P.I.c. was incorporated and registered in Northern Ireland on 3 May 1963 as a private company limited by shares under the Companies Act (Northern Ireland) 1960 with registered number NI005574. The Ordinary Shares were first admitted to listing in February 1973 and the Company re-registered as a public company in June 1984. The Company's LEI is 213800T2PJTPVF1UGW53. The principal legislation under which the Company operates is the Companies Act 2006.

The Company is a closed-ended investment company and operates as an investment trust, approved by HMRC, in accordance with the Tax Act. The dual investment objectives of the Company are to preserve shareholders' real wealth and to achieve absolute total return over the medium to longer term. The Company has proposed a reworded and simplified investment objective to preserve, and over time grow Shareholders' real wealth that is subject to Shareholder approval at the annual general meeting to be held on 6 July 2021.

As at 15 June 2021 (being the latest practicable date prior to the publication of this document), the Company is aware of the following persons who are interested in three per cent. or more of the Company's issued share capital.

	<i>No. of Ordinary Shares held</i>	<i>Percentage of issued share capital</i>
LGT Vestra	977,722	6.46%

The Directors are not aware of any person or persons who could, directly or indirectly, jointly or severally, own or exercise control over the Company or any arrangement, the operation of which may result in a change of control of the Company. There are no different voting rights for any Shareholder.

The Company's investment manager is CG Asset Management Limited. The Directors of the Company are as follows:

- Jean Matterson (*Chairman*);
- Robin Archibald (*Chairman of the Audit Committee and Senior Independent Director*);
- Wendy Colquhoun;
- Alastair Laing; and
- Paul Yates.

All of the Directors are non-executive directors and are independent of the Investment Manager save for Mr Laing, who is an employee of the Investment Manager. Mr Laing will stand down as a Director of the Company at the conclusion of the annual general meeting to be held on 6 July 2021. The Company's Auditors are BDO LLP.

What is the key financial information regarding the issuer?

Selected audited financial information relating to the Company which summarises the financial condition of the Company for the financial years ended 5 April 2020 and 5 April 2021 is set out in the following table.

	<i>Year ended 5 April 2020</i>	<i>Year ended 5 April 2021</i>
Net asset value		
Number of Ordinary Shares	11,509,263*	13,813,113
Net assets (£'000)	470,059	634,046
Net asset value per Ordinary Share (p)**	4,084.2	4,590.2
Ordinary Share price (p)	4,190.0	4,715.0
Income		
Total investment income before operating expenses (£'000)	7,775	9,942
Net return attributable to equity shareholders (£'000)	6,374	6,726

Performance fee (accrued/paid) (£'000)	n/a	n/a
Investment Manager's fee charged to revenue (accrued/paid) (£'000)	856***	2,604
Any other material fees (accrued/paid) to service providers (£'000)	545	612
Revenue return per Ordinary Share (p)	59.12	51.04
Dividend per Ordinary Share (p)	42.00	45.00
Ongoing charges		
As a percentage of average total Shareholders' funds (excluding costs of underlying funds)	0.65%	0.58%
As a percentage of average total Shareholders' funds (including costs of underlying funds)	0.91%	0.90%
Portfolio summary		
Shareholders' funds (£'000)	470,059	634,046

*Excludes 102,300 Ordinary Shares held in treasury as at 5 April 2020

**Net Asset Value per Ordinary Share is based upon the Net Assets, as shown above, and the number of Ordinary Shares in issue as at the year end (excluding Ordinary Shares held in treasury)

***The Investment Management fee in respect of the year to 5 April 2020 was £2,139,000 in total of which only £856,000 was charged to revenue with the balance charged to capital

What are the key risks that are specific to the issuer?

The following are brief descriptions of what the Directors believe, at the time of publication of this document, to be the key material risks specific to the Company.

- The Company operates in a regulatory environment and failure to comply with the regulations affecting the company, including maintaining its investment trust status could have a material adverse effect on the financial position of the Company.
- The Company's multi asset portfolio is actively managed and does not seek to track a benchmark. Accordingly, the portfolio of investments held by the Company may be held across a wide range of asset classes and will not mirror the stocks and weightings that constitute any particular index or indices. The Ordinary Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.
- The Company relies upon third party service providers, in particular the Investment Manager, to perform certain integral functions. Failure by any service provider to perform its obligations or to exercise due care and skill or loss of key personnel by any service provider could have a material adverse effect on the Company's performance.

KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

The Ordinary Shares have a nominal value of 25 pence each and are denominated in sterling. The ISIN of the Ordinary Shares is GB0001738615 and the SEDOL number is 0173861. The ticker code for the Ordinary Shares is CGT.

As at 15 June 2021 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company comprised 15,127,463 Ordinary Shares and no Ordinary Shares were held in treasury.

The New Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares. Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, Shareholders have the right to receive notice of, attend and vote at general meetings of the Company. Subject to the provisions of the Companies Act, the Company may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the net assets of the Company attributable to their Ordinary Shares on a winding up of the Company or other return of capital.

Subject to the terms of the Articles, there are no restrictions on the transferability of the Ordinary Shares.

The Company does not have any formal policy to achieve any specified level of dividend. The Company aims to pay an annual dividend but focuses on total return rather than any net income level.

Where will the securities be traded?

Applications will be made to the FCA for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 18 June 2021 to 16 June 2022.

What are the key risks that are specific to the securities?

The following is a brief description of what the Directors believe, at the time of publication of this document, to be the key material risks specific to the Ordinary Shares.

- The Company operates a discount and premium control policy which seeks to reduce the volatility of share price around net asset value and to create liquidity in the Ordinary Shares. There is no guarantee that the Company will always be able to operate such policy, which may affect the premium or discount to the net asset value at which the Ordinary Shares trade and the liquidity in the Ordinary Shares.
- The prices of equity investments may be volatile and are affected by a wide variety of factors, many of which can be unforeseen and are outwith the control of the investee company or the Investment Manager. These price movements could result in significant

losses for the Company which would impact the returns to Shareholders.

- The Company will invest in multi asset classes including equities, preference shares, fixed income securities and corporate bonds. Investments in some of these asset classes may lead to higher volatility in the NAV per Ordinary Share and the Ordinary Share price as they are more susceptible to adverse changes in the financial position of the issuer, general economic conditions, changes in market sentiment and changes in interest rates.

KEY INFORMATION ON THE OFFER

Under which conditions and timetable can I invest in this security?

No public offer of Ordinary Shares is being made by the Company. The Company may issue up to a maximum of 15 million New Shares under this document pursuant to the Issues. Each Issue will be conditional upon having the requisite Shareholder authority to issue New Shares on a non pre-emptive basis and admission of the relevant New Shares to the premium segment of the Official List and to trading on the Main Market.

Applications will be made to the FCA for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 18 June 2021 to 16 June 2022.

The Board is responsible for the determination of the Issue Price at the time of Issue. New Shares will only be issued at a premium to the then prevailing NAV per Ordinary Share. New Shares will be issued at a level of premium to the then prevailing NAV per Ordinary Share (which shall include a premium expected to cover the fixed and variable costs of operating the discount and premium control policy, the costs of investing the proceeds of the relevant Issue and the Documentation Costs) which will be determined at the time of Issue, such that no Issue is expected to be dilutive to the NAV per Ordinary Share. No expenses or tax in connection with any Issue will be charged directly to the investor.

The Documentation Costs, which have been or will be borne by the Company, are approximately £87,000. Such costs are expected to be covered by the premium to NAV per Ordinary Share of the Issues. The immediate dilution in the NAV per Ordinary Share arising from the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Issue and based on the NAV per Ordinary Share as at 15 June 2021) is approximately 0.01 per cent.

Shareholders who do not participate in the Issues by purchasing New Shares in the market will suffer a dilution of approximately 49.79 per cent. to their existing holdings (assuming 15 million New Shares are issued under this document). As New Shares will only be issued to meet demand for Ordinary Shares under the discount and premium control policy, it is possible that the total number of New Shares issued in the period of 12 months following the date of publication of this document may be less than the maximum of 15 million New Shares.

Why is this prospectus being produced?

The UK Prospectus Regulation provides that where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 20 per cent. or more of such company's shares, then the company concerned is required to issue a prospectus. The Company has experienced a sustained high level of demand for its Ordinary Shares and anticipates that if the current rate of issuance continues, it is likely to exceed the rolling 12 months' 20 per cent. limit on applications for admission to trading. Accordingly, this prospectus is being produced to allow the Company to continue to issue New Shares to satisfy demand from investors in the secondary market at times when Ordinary Shares are trading at a premium to the NAV per Ordinary Share in accordance with the Company's discount and premium control policy. Accordingly, the issue of New Shares pursuant to the Issues will not result in a dilution of the NAV per Ordinary Share.

By way of example, assuming that the maximum number of New Shares available for issue under this document are issued by way of a single Issue at an Issue Price of 4,758.89 pence per Share (being the NAV per Ordinary Share calculated as at close of business on 15 June 2021), £713,833,500 in aggregate would be raised under the Issues. On these assumptions, the total costs and expenses of and incidental to the Issues (including the Documentation Costs) to be borne by the Company, would be £1,179,812.70. This would represent 0.17 per cent. of the total proceeds of the Issues and the net proceeds available for investment by the Company would be £712,653,687.30. These net proceeds would be invested in accordance with the Company's investment policy.

The Issues are not being underwritten.

The Investment Manager and its officers, employees and consultants are involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager provides investment management services, investment advice and other services in relation to a number of funds that may have similar investment policies to that of the Company. The Investment Manager has regard to its obligations under the Investment Management Agreement to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise.

RISK FACTORS

The risk factors set out below are those which the Directors consider to be material but are not the only risks relating to the Company or the Ordinary Shares. There may be additional risks that the Directors do not currently consider to be material, or which are not presently known to the Directors. Before investing in the Ordinary Shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under FSMA if they are in the United Kingdom or, in the case of Overseas Investors, another appropriately authorised independent financial adviser.

An investment in the Company should not be regarded as short-term in nature and involves risks that could lead to the loss of all or part of that investment. An investment in the Company is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors should consider carefully all of the information set out in this document, including the risks described below, as well as their own personal circumstances, before deciding to invest in the Company.

The Directors believe that the risks described below are the material risks relating to an investment in the Ordinary Shares at the date of this document. If any of the adverse events described below occurs, the Company's financial condition, performance and prospects and the market price of the Ordinary Shares could be materially adversely affected and Shareholders may lose part or all of the value of their investment. Additional risks which were not known to the Directors at the date of this document, or that the Directors considered to be immaterial at the date of this document, may also have an adverse affect on the Company's financial condition, performance and prospects and the market price of the Ordinary Shares.

Potential investors should carefully consider all the information in this document, including the following material risk factors in relation to the Company and the Ordinary Shares, before deciding to invest in the Company.

Risks relating to an investment in an investment trust

Cessation of investment trust status

The Company aims to conduct its business to continue to satisfy the conditions to retain approval as an investment trust under section 1158 of the Tax Act. The Company has been approved as an investment trust pursuant to the Investment Trust (Approved Company) (Tax) Regulations 2011 and it will therefore continue to have investment trust status in each accounting period going forward, save where the Company commits a serious breach of one or more of the conditions for qualification as an investment trust, and will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to retain approval as an investment trust company could lead to the Company being subject to tax on capital gains which could have a material adverse effect on the financial position of the Company and on returns to Shareholders.

Discount and premium

The market prices of shares in investment trusts fluctuate independently of their net asset value and can be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment, dividend yields, prevailing interest rates and other factors. Accordingly, the market price of an Ordinary Share may not fully reflect its underlying net asset value and investment portfolio.

The price at which the Ordinary Shares will be traded and the price at which Shareholders may realise their investment will be influenced by a large number of factors, some specific to the Company, such as the operation of the discount and premium control policy, and its investments and some which may affect companies generally. There can be no guarantee that the Ordinary Shares will trade at prices close to the price paid by a Shareholder to acquire their Ordinary Shares.

Liquidity

The Company is a closed-ended company and, as such, Shareholders will have no right to have their Ordinary Shares redeemed or repurchased by the Company at any time. As such Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares on the market. Accordingly, the ability of Shareholders to realise any value in respect of their Ordinary Shares may be dependent on, *inter alia*, the operation of the Company's discount and premium control policy.

Third party service providers

The Company has no employees and all of the Directors have been appointed on a non-executive basis. The Company must therefore rely upon third party service providers to perform certain functions. In particular, the Investment Manager, the Administrator, the Depositary, the Custodian, the Registrar and their respective delegates, if any, will perform services that are integral to the Company's operations and financial performance. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Company at all as a result of insolvency, bankruptcy or other causes, could have a material adverse effect on the Company's operations and performance and on returns to Shareholders. The termination of the Company's relationship with any third party service provider, or any delay in appointing a replacement for any such service provider, could materially disrupt the business of the Company and could have a material adverse effect on the Company's performance and returns to Shareholders.

Regulatory risk

The Company is subject to laws and regulations enacted in the UK and elsewhere. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. Any change in the laws and regulations affecting the Company, the Investment Manager or the Company's investments may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment objective and policy and on the value of the Company and the Ordinary Shares. In such event, the investment returns of the Company may be materially adversely

affected.

The Company is subject to and will be required to comply with the Listing Rules and the admission and disclosure standards of the London Stock Exchange. A failure by the Company to comply with those rules and standards may result in the Ordinary Shares being suspended from listing.

Risks relating to an investment in the Company

Discount and premium control policy

The Company operates a discount and premium control policy under which it will purchase and issue Ordinary Shares to ensure, in normal market conditions, that the Ordinary Shares trade close to their underlying NAV per Ordinary Share. The ability of the Company to operate the discount and premium control policy will depend on the Company being able to buy back and issue Ordinary Shares, which will be dependent upon Shareholders in general meetings conferring authority on the Board to buy back and issue Ordinary Shares. The ability of the Company to buyback or issue Ordinary Shares will also be subject to the Companies Act and all other applicable legislation, rules and regulations of any government, regulatory body or market applicable to the Directors or the Company and, in particular, any buyback of Ordinary Shares will be dependent on the availability of distributable reserves. The Directors will seek renewal of the relevant authorities from Shareholders annually and at other times should this prove necessary. However, there can be no guarantee that requisite Shareholder approvals will be obtained, or that the Company will always be able to operate the discount and premium control policy.

If the Company were no longer to operate the discount and premium control policy, this could have a material effect on the Company's Ordinary Share price and liquidity. In addition, any such fluctuations in the Ordinary Share price may cause volatility which may not be reflective of the performance of the underlying portfolio.

Equity portfolio

The Company seeks to achieve its investment objective by constructing a multi asset portfolio investing in collective investment vehicles, bonds, commodities and cash. There is no guarantee that the Company's investment objective will be achieved and an inappropriate investment strategy may have an adverse impact on Shareholder returns. Furthermore, the price of equity investments may be volatile and are affected by a wide variety of factors, many of which can be unforeseen and are out with the control of the investee company or Investment Manager. These price movements could result in significant losses for the Company, which would impact the returns to Shareholders and ability of Shareholders to realise their investments.

The Company invests in a range of instruments, including those issued by quoted closed-ended companies, some of which are relatively illiquid. The number, quality and size of investment opportunities, and general market and economic conditions, may lead to delays in investing the net proceeds of the Issues. If equity prices rise or fall significantly before the net proceeds are fully invested, the potential returns available to Shareholders may differ from the returns which would have been available on the Company's existing portfolio.

Alternative asset classes

The Company may invest in multi asset classes including equities, preference shares, fixed income securities and corporate bonds. Investments in some of these asset classes may lead to higher volatility in the NAV per Ordinary Share and the Ordinary Share price as they are more susceptible to adverse changes in the financial position of the issuer, general economic conditions, changes in market sentiment and changes in interest rates.

Investment manager

The Company's portfolio is managed by the Investment Manager and in particular there are three investment executives within the CGAM team who have direct responsibility for portfolio selection. In the event of any of these three investment executives being unable to continue in their role with the Company, the dynamics of the management arrangements would need to be reviewed by the Board to avoid a change in the investment strategy. Any such change in relation to the CGAM investment executives may result in the performance of the Company or its Ordinary Shares being adversely affected.

Benchmark

The Company does not seek to track any benchmark. Accordingly, the portfolio of investments held by the Company may be held across a wide range of asset classes and will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Ordinary Shares failing to follow either the direction or extent of any moves in the financial markets generally (which may or may not be to the advantage of Shareholders). The Ordinary Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

COVID-19 pandemic

The COVID-19 pandemic and the measures taken to control the outbreak led to volatility and a substantial decline in stock markets and other financial markets around the world and a downturn in the global economy. The future development and the long-term impacts of the outbreak are unknown and it remains to be seen how and when the global economy will recover from the impact of the pandemic and what effect any further outbreaks may have on the global economy and financial markets. There can be no guarantee that the pandemic will not have a material adverse impact on the future investment returns of the Company, the price of the Ordinary Shares and returns to Shareholders.

IMPORTANT INFORMATION

General

This document should be read in its entirety. New investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the UK Prospectus Regulation, the Listing Rules, the Disclosure Guidance and Transparency Rules and the UK Market Abuse Regulation neither the delivery of this document nor any investment made following the publication of this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

The Ordinary Shares are designed to be held over the long-term and are not suitable as a short-term investment. The value of an investment in the Company and any income derived from it may go down as well as up. An investment in the Ordinary Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which might result from such an investment (which may be equal to the whole amount invested). There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Company will be achieved or provide the returns sought by the Company. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments. Although the Ordinary Shares are and the New Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market, it is possible that there may not be a liquid market in the Ordinary Shares and Shareholders may have difficulty selling them.

Shareholders must not treat the contents of the document or any subsequent communications from the Company or the Investment Manager or any of their respective affiliates, officers, directors, employees or agents, as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issues. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

If you are in doubt about the contents of this document you should consult your

stockbroker, bank manager, solicitor, accountant or other professional or other financial adviser.

Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of this document may be prohibited in some countries.

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon tax law and practice as at the date of this document, which are, in principle, subject to change.

Investors should be aware that the UK PRIIPs Regulation requires the Investment Manager, as PRIIP manufacturer, to prepare a key information document ("**KID**") in respect of the Company. This KID must be made available by the Investment Manager to retail investors prior to them making any investment decision and will be available on the Investment Manger's website and the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns referred to in the KID are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Data protection

The information that a prospective investor in the Company provides in documents in relation to a subscription for Ordinary Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in compliance with: (a) the relevant data protection legislation and regulatory requirements of the United Kingdom (the "**Data Protection Legislation**"); and (b) the Company's privacy notice, a copy of which is available for consultation on the Company's website at www.capitalgearingtrust.com ("**Privacy Notice**") (and if applicable any other third party delegate's privacy notice).

Without limitation to the foregoing, each prospective investor acknowledges that it has been informed that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company, which may include, without limitation, the Registrar) in accordance with and for the purposes set out in the Company's Privacy Notice which include:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- carrying out the business of the Company and the administering of interests in the Company; and

- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the United Kingdom or elsewhere or any third party functionary or agent appointed by the Company.

Where necessary to fulfil the purposes set out above and in the Company's Privacy Notice, the Company (or any third party, functionary, or agent appointed by the Company, which may include, without limitation, the Registrar) will:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to operate and administer the Company; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors provided that suitable safeguards are in place for the protection of such personal data, details of which shall be set out in the Privacy Notice or otherwise notified from time to time.

The foregoing processing of personal data is required in order to perform the contract with the prospective investor, to comply with the legal and regulatory obligations of the Company or otherwise is necessary for the legitimate interests of the Company.

If the Company (or any third party, functionary or agent appointed by the Company, which may include, without limitation, the Registrar) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will ensure that adequate safeguards are in place for the protection of such personal data, details of which shall be set out in the Privacy Notice or otherwise notified from time to time.

Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions. Individuals have certain rights in relation to their personal data; such rights and the manner in which they can be exercised are set out in the Company's Privacy Notice.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Prospective investors must rely on their own representatives, including their own legal, financial and tax advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the risk of capital loss, for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio, who fully understand and

are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment. It should be remembered that the price of the Ordinary Shares and the annual income from such Ordinary Shares (if any) can go down as well as up.

The Company is a closed-ended company and, as such, Shareholders will have no right to have their Ordinary Shares redeemed or repurchased by the Company at any time. Therefore, Shareholders wishing to realise their investment in the Company may need to dispose of their Ordinary Shares in the market.

Forward looking statements

To the extent that this document includes "forward looking statements" concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates" and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in paragraph 8 of Part 4 of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Regulation Rules, Listing Rules, Disclosure Guidance and Transparency Rules and UK Market Abuse Regulation, as appropriate.

Websites

Without limitation, neither the contents of the Company's or the Investment Manager's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's or the Investment Manager's website (or any other website) is incorporated into, or forms part of this document, or has been approved by the FCA. Investors should base their decision whether or not to invest in the Ordinary Shares on the contents of this document alone.

European Union legislation

In this document any reference to any EU directive, EU regulation, EU decision, EU tertiary legislation or provision of the EEA Agreement (an "EU Matter") which forms part of domestic law by application of the European Union (Withdrawal) Act 2018 shall be read as a reference to that EU Matter as it forms (by virtue of the European Union (Withdrawal) Act 2018) part of domestic law and

as modified by domestic law from time to time. For the purposes of this paragraph, (i) “domestic law” shall have the meaning given in the European Union (Withdrawal) Act 2018; and (ii) any other words and expressions shall, unless the context otherwise provides, have the meanings given in the European Union (Withdrawal) Act 2018.

Latest practicable date

In this document, where the context requires, references to 15 June 2021 should be treated as being references to the latest practicable date prior to the publication of this document.

Documents incorporated by reference

The parts of the published annual financial reports of the Company for the two financial years ended 5 April 2021 specified in the table below are incorporated by reference into this document. The non-incorporated parts of these financial reports of the Company are either not relevant to investors or are covered elsewhere in this document.

Nature of Information	<i>Statutory Accounts for year ended</i>	
	<i>5 April 2020</i>	<i>5 April 2021</i>
	<i>Page No.</i>	<i>Page No.</i>
Performance	3	3
Chairman's Statement	4-6	4-6
Investment Manager's Report	13-14	13-14
Portfolio Analysis	15	15
Independent Auditor's Report	41-47	41-45
Income Statement	48	46
Statement of Changes in Equity	49	47
Statement of Financial Position	50	48
Cash Flow Statement	51	49
Notes to the Financial Statements	52-64	50-62

The documents incorporated by reference can be obtained from the Company's website, www.capitalgearingtrust.com, and as set out in paragraph 12 of Part 6 of this document.

DIRECTORS, INVESTMENT MANAGER AND OTHER ADVISERS

Directors	Miss J G K Matterson (Chairman) Mr R Archibald Ms W Colquhoun Mr A R Laing Mr P Yates
Registered Office	c/o Carson McDowell LLP Murray House Murray Street Belfast BT1 6DN
Investment Manager	CG Asset Management Limited 25 Moorgate London EC2R 6AY
Administrator	Juniper Partners Limited (formerly PATAC Limited) 28 Walker Street Edinburgh EH3 7HR
Solicitor and Sponsor in relation to the Issues	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Corporate Broker	J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Depository	Northern Trust Global Services SE (acting through its UK branch) 50 Bank Street London E14 5NT

ISSUE STATISTICS

Maximum number of New Shares to be issued under the Issues 15 million

Issue Price New Shares will be issued at a premium to the then prevailing NAV per Share

DEALING CODES

ISIN GB0001738615

SEDOL 0173861

Ticker code CGT

Legal Entity Identifier (LEI) of the Company 213800T2PJTPVF1UGW53

PART 1

CAPITAL GEARING TRUST P.L.C.

Introduction

Capital Gearing Trust P.L.C., which was admitted to listing in 1973, is an investment trust with the dual investment objectives of preserving Shareholders' real wealth and achieving absolute total return over the medium to longer term. The Company seeks to achieve this principally by investing in quoted closed-ended and other collective investment vehicles together with cash, bonds, index-linked securities and commodities when appropriate.

The executive responsibilities for investment management of the Company's assets have been delegated by the Board to CG Asset Management Limited as Investment Manager and AIFM for the purposes of the AIFM Directive.

Background to the Issues

Investment trusts' shares can experience pricing volatility relative to their net asset value and sometimes the shares of individual investment trusts sell at a significant premium or discount to net asset value. This can put those investing regularly at a disadvantage because they may find themselves buying shares at a sizeable premium which is unlikely to be sustained, and which will therefore have an adverse effect on the return from their investment. Similarly, if shares trade at a significant discount or premium to net asset value this can disadvantage shareholders who may wish to sell all or part of their holdings and investors who wish to acquire shares given the uncertainty over pricing relative to the net asset value of the shares, particularly if there is a limited secondary market in such shares.

In view of this, in August 2015 the Board introduced a discount and premium control policy. Under this policy, the Company purchases or issues Ordinary Shares to seek to ensure, in normal market conditions, that the Ordinary Shares trade as close as possible to their underlying net asset value. The Directors intend to renew the Shareholder authorities to issue and buyback Ordinary Shares to allow for the continued operation of this policy as often as required. In recent years, there has been a continued high level of demand for the Ordinary Shares resulting in the Company having to renew its issuance authority with some regularity, with increased demand over recent months.

Since the adoption of the discount and premium control policy in 2015 to 15 June 2021, the Board has exercised its powers by issuing 12,408,307 Ordinary Shares (representing 423.9 per cent. of the Company's issued share capital at the time the policy was introduced) on a non pre-emptive basis for cash and at a premium to the prevailing NAV per Ordinary Share. The premium on the issue of such new Ordinary Shares has fully covered the cost of operating the discount and premium control policy and has also provided enhancement in NAV per Ordinary Share for existing investors. Since the annual general meeting held on 3 July 2020 to 15 June 2021 (being the latest practicable date prior to the publication of this document), the Company has issued 3,326,100 Ordinary Shares raising proceeds of approximately £156 million. The Company bought back 9,450 Ordinary Shares during 2015 and 198,300 Ordinary Shares in March 2020 with such Ordinary Shares subsequently being re-issued from treasury pursuant to the discount and premium control policy. No further Ordinary Shares have been bought back since March 2020 and no Ordinary

Shares are held in treasury as at the date of this document.

The Board believes that the discount and premium control policy and the Company's continued ability to issue Ordinary Shares at a premium to net asset value increases liquidity in the Ordinary Shares, spreads the fixed costs of the Company over a larger asset base and reduces volatility by preventing the build up of excessive demand for Ordinary Shares. Despite the growth in the equity base of the Company since the adoption of the discount and premium control policy, the Investment Manager continues to find investments into which fresh capital can be deployed effectively.

The UK Prospectus Regulation provides that, where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 20 per cent. or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. Since the expiry of the Company's last prospectus on 5 September 2020, the Company has continued to issue Ordinary Shares and is close to exhausting the 20 per cent. limit. In view of the continuing level of demand for the Ordinary Shares, the publication of this document is necessary in order to allow the Company to continue to issue Ordinary Shares at a premium to the NAV per Ordinary Share where demand for Ordinary Shares in the secondary market exceeds supply.

The New Shares to be admitted pursuant to this document will be issued only (i) at a premium to net asset value (which shall include a premium to cover commissions and expenses associated with such issue); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company and its Shareholders to do so.

The Company currently has unutilised authority to issue up to 363,896 Ordinary Shares for cash without offering such shares to existing Shareholders on a pre-emptive basis, as granted at the annual general meeting held on 3 July 2020 and the general meeting held on 6 April 2021. These authorities will expire at the Company's next annual general meeting, to be held on 6 July 2021. Given the demand for Ordinary Shares that the Company has seen over recent months, the Company may exhaust these authorities before the annual general meeting to be held on 6 July 2021. This would result in the Company being unable to operate its discount and premium control policy until such time as the appropriate Shareholder authorities were granted.

The Directors are seeking authority, at the annual general meeting to be held in July 2021, to: (i) allot up to 4,905,987 Ordinary Shares; and (ii) issue up to 2,943,592 Ordinary Shares for cash without offering such Ordinary Shares to existing Shareholders on a pre-emptive basis, such authorities to expire at the annual general meeting to be held in July 2022. If there is continuing demand for New Shares such that the Directors consider the Company could issue more than 2,943,592 New Shares in the period prior to the annual general meeting to be held in July 2022, the Directors will consider convening a general meeting of the Company to seek additional authority to issue New Shares without offering them to existing Shareholders on a pre-emptive basis in accordance with the Company's discount and premium control policy.

Investment objectives and policy

The Board and the Investment Manager recently undertook a review of the Company's investment objectives and policy. This was with a view to clarifying the existing wording and did not involve any

substantive change to either the investment objectives or policy. This review focused on ensuring that all types of investment that the Investment Manager may acquire in pursuit of the investment objectives are permitted as well as that the objectives and policy were clear and understandable for Shareholders and investors. There is no material change proposed to the way in which the investments are managed by the Investment Manager or the type of investments that are included within the portfolio. However, given the scale of changes in text, the revised objective and policy have been proposed for shareholder approval at the annual general meeting to be held on 6 July 2021. The changes have also been approved by the FCA.

The existing investment objectives and policy of the Company are set out below followed by the proposed investment objective and policy to be considered by Shareholders at the annual general meeting in July 2021.

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.

Investment policy

The Company aims to achieve its investment objectives through long only investment in quoted closed-ended funds and other collective investment vehicles, bonds, commodities and cash, as considered appropriate.

Given the diverse attributes of closed-ended funds and other collective investment vehicles, as well as the lower-risk characteristics attached to the other asset classes in which the Company invests, a flexible approach to asset allocation is adopted. It is anticipated that under most market conditions, a broad mix of assets will be maintained and a maximum 80 per cent. exposure to either equity or fixed-interest securities (including index linked securities and cash) may be held at any time.

The Investment Manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure. The Company will not invest more than 15 per cent. of its investment portfolio in any single investment.

The Company does not have a formal benchmark but uses the UK Retail Price Index (RPI) as the minimum target for returns to be achieved over the medium to longer term, thereby aiming to at least preserve the real value of shareholders' investments.

The Company, in pursuing total return, does not aim to invest for income to support any target dividend payment, since capital return is likely to be the largest component of the absolute return objective.

The maximum proportion of the Company's gross assets that can be held in other UK-listed investment companies (which do not have a stated investment policy to invest no more than 15 per cent. of their gross assets in other UK investment companies) is 10 per cent. in accordance with Listing Rule 15.2.5. It is, however, the aim of the Company to maintain a maximum 6 per cent. investment level in such companies in order to avoid any potential breach of this rule and to

maintain investment flexibility.

The Company may invest in derivatives such as warrants, options, swaps and forward contracts for the purpose of efficient portfolio management, subject to prior Board approval. Investments in other funds managed by the Investment Manager, or by associates of the Investment Manager, will be considered by the Board on a case by case basis and are subject to Board approval.

Borrowing powers

The Company has the authority to borrow up to 20 per cent. of net assets, subject to prior Board approval.

During the past 12 months, the Board and the Investment Manager undertook a review of the Company's investment objectives and policy with the aim of clarifying the existing wording. The proposed changes have been approved by the FCA and will be put to Shareholders for their approval at the annual general meeting to be held in July 2021. The proposed investment objective and policy, as detailed below, will apply to the Company with effect from 6 July 2021 (subject to Shareholder approval at the annual general meeting).

Proposed investment objective

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

Proposed investment policy

As preserving Shareholders' real wealth is core to the investment objective, greater emphasis is placed on avoiding loss than 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.

The Company does not have a formal benchmark but reports against the UK Retail Price Index (a measure of inflation) and the MSCI UK Equity Index. The Company does not have a target dividend payment. It is anticipated that capital return is likely to be the larger component of the returns.

The Investment Manager has the authority to invest in equities, bonds, commodities and cash. Equity investments are typically in listed collective investment vehicles, including investment trusts, ETFs, investment holding companies and property companies.

Asset allocation is flexible and responds to changes in asset values and to the macro-economic environment. A broad mix of assets will be maintained, with a maximum equity exposure of 80 per cent. and a minimum of 20 per cent. The Investment Manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure.

The Company will not invest more than 15 per cent. of its investment portfolio in any single security. The Investment Manager is not permitted to invest in derivatives (such as options, swaps or forward contracts) without prior Board approval. Investments in other funds managed by the Investment Manager also require Board approval.

Borrowing powers

The Company has the authority to borrow up to 20 per cent. of net assets, subject to prior Board approval.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Investment strategy

The Company seeks to achieve its investment objectives through the construction of multi-asset portfolios with a specialist focus on investment trust equities and related securities. Portfolio construction is the key tool used to mitigate capital loss in any given year. The Investment Manager allocates across asset classes based on an assessment of capital markets and macro-economic risks, with the aim of avoiding capital loss. In addition, a portion of the portfolio is invested into the investment trust market with the aim of exploiting inefficiencies to generate risk adjusted returns that are superior to those available in more liquid equity markets.

There are two key pillars to the Investment Manager's strategy, being equity alpha and asset allocation. Equity alpha is achieved through value focused specialist equity investing, aiming to deliver superior returns on risk exposure. This is achieved through investment in closed-ended investment funds, ETFs and other collective investment vehicles. Asset allocation aims to protect capital through constructing multi-asset portfolios, including broad investment across bond and other fixed interest markets, including in inflation protected assets. The Investment Manager's emphasis within the portfolio between the two pillars may vary depending on market conditions, however any strategic change in approach must be agreed with the Board. The goal of the current asset allocation is to deliver a modest real gain with low correlation to the equity market. Further details of the Company's current portfolio are set out in Part 4 of this document.

The Company's strategy is formally reviewed by the Board at least annually, considering investment performance, shareholder views, developments in the market and the structure of the Company. The Company's portfolio is actively managed and does not seek to track a benchmark, however, investment performance is reviewed by the Board on a regular basis against RPI, the MSCI UK Index and the Company's peers. The composition of the Company's portfolio is provided at each Board meeting to allow monitoring of the spread of investments. Stock selection, portfolio composition and liquidity are explained in detail by the Investment Manager at each meeting.

The liquidity profile of the portfolio is managed carefully by the Investment Manager and reported to the Board on a regular basis. The Company has no bank loans or other borrowing and the majority of the Company's assets are investments in quoted securities which are considered to be readily realisable and so the portfolio has relatively high levels of liquidity.

During the last ten years, the Company has grown from assets of approximately £76 million to current assets of over £720 million, with approximately £625 million of that growth being in the last 6 years, since the introduction of discount and premium control policy. The Company has continued to meet its investment objectives in challenging markets, for value and growth, and has reduced

both its operating costs and the volatility of share price around net asset value. In operating the discount and premium control policy, the Company has to be able to both: (i) invest new proceeds to avoid damaging existing Shareholders' interests; and (ii) be able to realise assets to finance buy-backs should it be required, again without damaging the interests of continuing shareholders. The Company's portfolio is well positioned to achieve both of these objectives, is widely spread and, presently at least, relatively defensively positioned. Equity exposure is found principally from investing in collective investment vehicles.

Investment outlook

There are a number of factors in the financial markets and the macro-economic environment that encourage cautious positioning over the coming months. These include uncertainty regarding the global COVID-19 pandemic response programmes and related fiscal and monetary intervention and current geopolitical events, such as the trade tensions between the USA and China and military tensions in the Middle East and South China Sea. From an investment standpoint, these risks are exacerbated by elevated asset prices across equity and bond markets. Central bank asset purchase programmes have pushed investors out of safe assets into riskier assets than they would normally hold. The Board believes that when this process unwinds risk asset pricing might be weak.

The Company's portfolio remains defensively positioned and broadly spread. This positioning is consistent with the current aim of protecting capital after taxes, fees and inflation over the medium to longer term. Under current market conditions, it is anticipated that ordinary equity holdings will remain relatively low at around 45 per cent. of the portfolio. The remaining assets in the portfolio are defensive in nature, including cash, corporate bonds, zero dividend preference shares and government bonds. The purpose of holding these defensive assets, alongside any funds raised under the Issues, is to ensure there is a store of liquid funds available to exploit any opportunities in equity markets if there is a period of weakness.

Capital structure

The Company's share capital is solely comprised of Ordinary Shares, all of which are listed on the premium segment of the Official List and admitted to trading on the Main Market. Shareholders are entitled to such dividends (if any) as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all undistributed revenue of the Company and to the residual capital of the Company which remains after satisfying any liabilities.

At the general meeting of the Company held on 6 April 2021, the Directors were granted authority to disapply pre-emption rights in respect of the allotment of up to 1,356,084 Ordinary Shares during the period until the conclusion of the next annual general meeting of the Company. This authority was granted in addition to the Company's existing authority and as at the date of this document, the Directors' remaining authority to issue new Ordinary Shares on a non pre-emptive basis for cash extends to 363,896 Ordinary Shares. Should the Company exhaust this authority before its annual general meeting to be held on 6 July 2021, it will not be able to operate the discount and premium and control policy until such time as the appropriate Shareholder authorities are granted.

Dividend policy

The Company does not have any formal policy to achieve any specified level of dividend. The Company aims to pay an annual dividend but focuses on total return rather than any net income level.

Discount and premium control policy

As noted above, in August 2015 the Board implemented a discount and premium control policy in order to reduce premium and discount volatility in the Ordinary Shares. Under this policy, the Company may issue Ordinary Shares when demand exceeds supply and may buyback Ordinary Shares when the Directors consider it appropriate. The Directors have delegated responsibility for operating the discount and premium control policy to the Administrator. The Directors have been given authority, in accordance with the Companies Act, by Shareholders to allot new Ordinary Shares for cash on a non pre-emptive basis. Further details of this authority are set out in paragraphs 2.4 and 2.5 of Part 6 of this document. The Directors intend to seek additional authority annually and at other times should this prove necessary to restore the issuance authorities.

At the Company's most recent annual general meeting on 3 July 2020, the Company was granted the authority to buyback up to 1,749,267 Ordinary Shares. As at the date of this document, the Company has not purchased any Ordinary Shares pursuant to this authority. The Directors intend to seek renewal of this authority from Shareholders annually, typically at the annual general meeting, and at other times should this prove necessary. Any buyback of Ordinary Shares will be made in accordance with the Companies Act and within guidelines established from time to time by the Board and the making and timing of any buybacks will be at the absolute discretion of the Board. The Directors are authorised to cancel any Ordinary Shares purchased under this authority or to hold them in treasury. Purchases of Ordinary Shares will be made only through the market for cash at prices below the prevailing net asset value of the Ordinary Shares. Such purchases will also be made only in accordance with the rules of the FCA, which provide that the maximum price to be paid must not be more than the higher of: five per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made; and the higher of the price of the last independent trade in the Ordinary Shares and the highest current independent bid for such Ordinary Shares. The minimum price which may be paid for such purchases is the nominal value of an Ordinary Share.

It is the intention of the Directors that the share buyback authority will only be exercised if the Directors are of the opinion that the NAV per Ordinary Share will be enhanced for the continuing Shareholders and it is considered to be in the best interests of Shareholders generally and if the overall financial position of the Company will benefit from such purchases. However, this will not require the Directors to take any steps that would require the Company to make a tender offer for its Ordinary Shares.

Borrowings

Although the investment policy of the Company permits borrowings, including the use of derivatives, the Board has no current intention to commit the Company to borrow.

PART 2

DIRECTORS, INVESTMENT MANAGER AND ADMINISTRATION OF THE COMPANY

Directors

The Directors, each of whom is non-executive and, save for Mr Laing, independent of the Investment Manager, are responsible for the determination of the investment policy of the Company and overall supervision of the Company. The Company operates with a small but experienced non-executive Board of Directors, providing investment and corporate skills and experience of closed-ended funds to their oversight roles. In any succession planning the aim is to maintain a small but experienced Board. The Company has announced that Mr Laing will stand down as a Director of the Company with effect from the conclusion of the annual general meeting on 6 July 2021, with all of the other Directors standing for re-election or in the case of Ms Colquhoun for election. The Directors are as follows:

Miss J G K Matterson (*Chairman*): Miss Matterson became a Director of the Company in May 2015 and became Chairman in July 2020. Miss Matterson until 2020, was a partner of Rossie House Investment Management in Edinburgh which specialises in private client portfolio management with particular emphasis on investment trusts. She was previously with Stewart Ivory & Co Ltd for 20 years, as an investment manager and director. She is a director of Herald Investment Management Limited and HIML Holdings Limited.

Mr R Archibald: Mr Archibald became a Director of the Company in May 2015. Mr Archibald became Chairman of the Company's audit committee following the annual general meeting in July 2019 and Senior Independent Director in January 2020. He was formerly head of corporate finance and broking at Winterflood Investment Trusts. He qualified as a chartered accountant in 1983 and subsequently worked with Samuel Montagu, SG Warburg Securities, NatWest Wood Mackenzie and as partner and corporate financier with the corporate finance division of a Scottish accountancy firm. Since the early nineties, he has concentrated on advising and managing transactions in the UK closed-ended funds sector. He is chairman of Albion Technology and General VCT plc, audit chair and senior independent director of Ediston Property Investment Company plc, audit chair of Shires Income plc and senior independent director of Henderson European Focus Trust plc.

Mr A R Laing: Mr Laing became a Director of the Company in November 2013. Mr Laing joined CG Asset Management Limited in 2011 and has been co-manager of the Company since that time. Mr Laing joined CG Asset Management Limited from HgCapital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. Mr Laing was educated at Edinburgh University and was an MBA Scholar at London Business School. He is a member of the Institute of Chartered Accountants of Scotland.

Ms W Colquhoun: Ms Colquhoun was appointed as a Director in January 2021. Until May 2020, she was a senior corporate partner at international law firm CMS Cameron McKenna Nabarro Olswang LLP where she specialised in financial services. She has over 25 years of experience in providing advice to investment trusts. After qualifying as a solicitor in 1987, Ms Colquhoun held roles with Dickson Minto WS and Linklaters before heading up the UK corporate group at Dundas & Wilson (a leading Scottish law firm) prior to its merger with CMS Cameron McKenna in 2014. She is a non-executive director and chair of Henderson Opportunities Trust plc, a non-executive director of

Schroder UK Mid Cap Fund plc and a trustee of the Stewart Ivory Financial Education Trust. Until February 2021 she was also a non-executive director and chair of the risk and governance committee of Scottish Financial Enterprise.

Mr P T Yates: Mr Yates was appointed as a director in December 2019. Mr Yates is Chairman of the Advisory Board of 33 St James's Limited and is a non-executive director of Fidelity European Trust PLC and Witan Investment Trust PLC. His extensive career in investment management began at Samuel Montagu & Co in 1980. He joined Phillips and Drew in 1985, being the year that it was acquired by UBS. During his time at UBS he held a number of positions covering management, portfolio management, pensions, strategy and client service. He was CEO of UBS Global Asset Management (UK) Limited between 2001 and 2005 and, after undertaking a number of global roles at UBS, he retired in 2007.

Investment Manager

The Company is managed by CG Asset Management Limited. The Investment Manager currently manages five funds, which are broadly split into two families, absolute return funds and index linked bond funds. CGAM has total funds under management of approximately £3.58 billion as at 15 June 2021. The portfolios are invested on a long-only basis with a low-risk style focusing on achieving real returns.

Key personnel

The key personnel who have responsibility for the day-to-day management of the Company's portfolio are as follows:

Mr R P A Spiller: Mr Spiller has managed Capital Gearing Trust plc since 1982. Mr Spiller founded CG Asset Management Limited in 2000. Prior to founding CG Asset Management Limited Mr Spiller was a partner and strategy director at Cazenove & Co Capital Management and a US equity investor at Capel Cure Myers.

Mr A R Laing: Mr Laing joined CG Asset Management Limited in 2011 and has been co-manager of the Company since that time. Mr Laing joined CG Asset Management Limited from HgCapital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. Mr Laing was educated at Edinburgh University and was an MBA Scholar at London Business School. He is a member of the Institute of Chartered Accountants of Scotland.

Mr C Clothier: Mr Clothier joined CG Asset Management in 2015, prior to that he was a director at IPGL Limited, a private investment vehicle with a range of public and private interests predominantly in the financial services industry, where he worked for six years. Before that he worked at MMC Ventures, an early-stage venture capital firm. Mr Clothier studied Chemistry at New College, Oxford.

Managerial, administration and depositary arrangements

Managerial arrangements

The Investment Manager is registered under the AIFM Directive as a full scope authorised UK

AIFM and has acted as the Company's alternative investment fund manager since November 2017 under the terms of the Investment Management Agreement.

The Investment Management Agreement may be terminated by either party on six months' notice or on shorter notice in certain circumstances. The annual management fee which is payable to the Investment Manager in accordance with the Investment Management Agreement is based on the net assets of the Company attributable to Shareholders. The annual fee payable to the Investment Manager is: (i) 0.6 per cent. on the amount of net assets up to £120 million; (ii) 0.45 per cent. on the amount of net assets that exceeds £120 million up to £500 million; and (iii) 0.3 per cent on the amount of net assets that exceeds £500 million. Management fees are calculated and paid quarterly.

Further details of the terms of the Investment Management Agreement are set out in paragraph 8.1 of Part 6 of this document.

Secretarial and administration arrangements

The Board has appointed Juniper Partners Limited (formerly PATAC Limited, as renamed) to provide company secretarial and administration services to the Company. In addition, the Company has delegated responsibility for managing its discount and premium control policy to the Administrator. The Administration Agreement may be terminated by either party on three months' notice or immediately in certain circumstances. The Administrator is entitled to receive an annual fee for its services, currently £150,720 (plus VAT if applicable) as administrator to the Company. The fees to the Administrator are recalculated annually in line with the increase in the Consumer Prices Index over the preceding 12 month period. The Administrator also receives a fee of £30,000 per annum plus a commission of 0.1 per cent. of the aggregate consideration paid in respect of any Ordinary Shares bought back by the Company or consideration received by the Company pursuant to the issue of Ordinary Shares under the discount and premium control policy.

Further details of the terms of the Administration Agreement are set out in paragraph 8.2 of Part 6 of this document.

Depositary arrangements

Northern Trust Global Services SE (acting through its UK branch) has been appointed as the Company's Depositary. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. Northern Trust Global Services SE and its delegates also undertake the function of custodian in respect of the Company. The annual fee payable to the Depositary is equal to 0.015 per cent. of the Net Asset Value (plus applicable VAT) subject to a minimum fee of £50,000 per annum.

Further details of the terms of the Depositary Agreement are set out in paragraph 8.3 Part 6 of this document.

Annual expenses

The Company has incurred, and will continue to incur, administrative expenses, including, *inter alia*, Investment Manager's fees, audit fees, Directors' fees, custodian fees, regulatory fees, directors' and officers' liability insurance premiums and printing costs.

It is estimated that the total expenses of the Company for the financial year ending 5 April 2022 will be approximately £3.7 million, being 0.52 per cent. of Shareholders' funds as at 15 June 2021.

The ongoing charges ratio of the Company, which includes the management and administrative costs (excluding costs of underlying funds) have reduced from 1.24 per cent. per annum in 2014 to 0.58 per cent. as at 5 April 2021. The Company reports its ongoing charges ratio both inclusive and exclusive of embedded charges for the collective funds in which the Company is invested. The ongoing charges ratio inclusive of embedded charges was 0.90 per cent. as at 5 April 2021 compared with 0.91 per cent. as at 5 April 2020.

Accounting policies

The Company charges all of its expenses to revenue. This accounting policy was adopted as of 6 April 2020. Previously, the Company allocated its investment management fees 40 per cent. to revenue and 60 per cent. to capital.

Corporate governance

The Chairman and each of the Directors, save for Mr Laing, are independent of the Investment Manager and each of the Directors is non-executive. Mr Laing is not considered to be independent of the Investment Manager for the purposes of the Listing Rules as he is a director of the Investment Manager. The Company has announced that Mr Laing will stand down as a Director of the Company as the conclusion of the annual general meeting on 6 July 2021. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibilities for investment management have been delegated to the Investment Manager. There is, therefore, no chief executive officer. Mr Archibald was appointed Senior Independent Director in January 2020.

The Board is committed to achieving and demonstrating high standards of corporate governance. The Board therefore places considerable emphasis on running the Company in a way it believes is best suited to the successful management of an investment trust on behalf of its Shareholders. In doing so, the Board has considered the principles and recommendations of the AIC Code. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Company complied in its most recent financial year, and continues to comply, with the recommendations of the AIC Code and the relevant provisions of the applicable UK Code, except in relation to the following provisions, none of which are required under the AIC Code:

- the role of the chief executive;

- executive director's remuneration; and
- the need for an internal audit function.

The Board

Directors do not serve on the Board for a specified period of time. Each Director will be subject to the election/re-election provisions as set out in the Articles which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the annual general meeting following their appointment. Thereafter, Directors submit themselves for re-election annually in accordance with the provisions of the AIC Code. Provided that the Nomination Committee and the Board remain satisfied that the relevant Director's continuing appointment and independence is not impaired by length of service, the Board does not consider that there should be a set limit on their length of service. The Board does not consider that the length of time served by a Director is as important as their contribution to the running of the Company, or that it necessarily impairs their independence. Each situation will be rigorously reviewed on a case-by-case basis to ensure that a Director's independence is maintained and that their continuing appointment is in the best interests of the Company.

The Board believes that none of the other commitments of the Directors interferes with the discharge of their duties to the Company and the Board is satisfied that they are each capable of devoting sufficient time to the Company.

The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. The Board conducts an annual review of its performance and that of its committees, the Chairman and individual Directors. The performance of each Director and nominations for re-election are discussed by the Board as a whole in the absence of the Director in question.

Directors' fees are considered by the Board as a whole within the limits as set out in the Articles and in accordance with the Company's remuneration policy which has been approved by Shareholders. The cap on remuneration to paid to the Directors set out in the Articles has been reviewed and it is proposed that it is increased to £165,000 per annum from £150,000 per annum at the Company's annual general meeting held in July 2021.

Audit committee

The audit committee consists of Mr Archibald, Ms Colquhoun and Mr Yates and it meets at least twice per year. The audit committee is chaired by Mr Archibald and Ms Matterson attends by invitation. The main responsibilities of the audit committee include reviewing the accounting policies and significant financial reporting judgments, monitoring the integrity of the Company's financial statements, reviewing the internal control systems and the risks to which the Company is exposed including the Company's risk management systems which allow the Company to identify, measure, manage and monitor all risks on a continuous basis. It is also responsible for making recommendations to the Board regarding the appointment and independence of the Auditors, the objectivity and effectiveness of the audit process, monitoring the non-audit services provided to the Company by its Auditors and approving the financial statements and confirming to the Board that they are fair, balanced and understandable. The audit committee also provides a forum through

which the Auditors report to the Board. Representatives from the Investment Manager and the Administrator may be invited to attend the meetings of the audit committee to report on issues as required.

The committee also reviews the terms of appointment and performance of the Auditor and makes recommendations to the Board in respect of such review.

Management engagement committee

A management engagement committee which comprises all the independent Directors was established in 2013 and is chaired by the Chairman. The committee meets once a year to consider the performance and remuneration of the Investment Manager and to review the terms of the Investment Management Agreement. The management engagement committee also considers the performance and contractual arrangements of all other key service providers, including the Company Secretary and Custodian.

Nomination committee

A nominations committee which comprises all the independent Directors was established in 2019 and is chaired by the Chairman. The committee will meet at least once a year to review the structure and composition of the Board and is responsible for succession planning and identifying and nominating candidates to fill vacancies on the Board as and when they arise.

Remuneration committee

Due to the small size of the Board, the Directors do not feel it necessary to establish a separate remuneration committee at present and the Board as a whole considers these matters as part of the agenda of regular Board meetings. Directors' fees are considered by the Board as a whole within the remuneration limits and policy approved by Shareholders.

Conflicts of interest

The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.

The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise.

Both the Investment Manager and the Administrator have established internal control frameworks to provide reasonable assurances as to the effectiveness of the internal control systems operated on behalf of their respective clients. The Investment Manager reports to the Board on a regular basis with regard to the operation of its internal controls and risk management within its operations in so far as it impacts the Company. In addition, the Investment Manager reports quarterly to the Board on compliance with the terms of its delegated authorities under the Investment Management

Agreement and other restrictions determined by the Board.

The Administrator also reports, on a quarterly basis, any breaches of law and regulation and any operational errors. This enables the Board to address any issues with regard to the management of the Company as and when they arise and to identify any known internal control failures.

Reports to Shareholders and net asset values

The annual financial report of the Company is made up to 5 April in each year. The Company's annual financial report is prepared in accordance with FRS 102. Copies of the annual report and accounts are sent to Shareholders in May or June of each year and annual general meetings of the Company are held in July of each year. Shareholders also receive an unaudited interim report covering the first six months of each financial year of the Company.

The NAV per Ordinary Share is calculated by the Administrator on behalf of the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

The Company's website (www.capitalgearingtrust.com) provides share price, regulatory announcements and documents relating to the Company together with other helpful information on the Company for investors and prospective investors.

Taxation

The Company has been approved by HMRC as an investment trust. The Directors believe that the affairs of the Company have been conducted so as to continue to satisfy the conditions to qualify as an investment trust under section 1158 of the Tax Act and the Company will be exempt from UK taxation on its capital gains in its portfolio. The Company will, however, be liable to UK corporation tax on its income in the normal way, with dividend income generally being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates but double taxation relief may be available on income that is also subject to UK tax.

A guide to the general UK taxation position as at the date of this document is set out in Part 5 of this document.

If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

UK Market Abuse Regulation and the Disclosure Guidance and Transparency Rules

As a company whose shares are admitted to trading on the Main Market, the Company complies with all of the provisions of the UK Market Abuse Regulation and the Disclosure Guidance and Transparency Rules which are applicable to it. The Directors have adopted a share dealing code that is compliant with the UK Market Abuse Regulation. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors

and other persons discharging managerial responsibilities ("**PDMRs**").

The Disclosure Guidance and Transparency Rules provide that certain persons (including Shareholders) must notify the Company if the proportion of the Company's voting rights which they then hold directly or indirectly as a shareholder or through a direct or indirect holding of certain financial instruments reaches, exceeds or falls below a threshold of three per cent. and each one per cent thereafter up to 100 per cent.

PART 3

DETAILS OF THE ISSUES

General

New Shares will be issued from time to time pursuant to the Issues for the purpose of controlling the premium at which the Ordinary Shares trade, in the same way as the share buyback authorities are used to buy back Ordinary Shares to control the discount at which the Ordinary Shares might trade. The New Shares to be issued pursuant to this document will be issued only (i) at a premium to net asset value (which shall include a premium to cover commissions and expenses associated with such Issue); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company and Shareholders to do so. New Shares will be issued pursuant to the Issues only during the period commencing at 8.00 a.m. on 18 June 2021 and ending at 5.00 p.m. on 16 June 2022. However, the Company will continue its aim of monitoring and controlling the discount/premium at which the Ordinary Shares trade in accordance with its policy following the expiry of this period and may publish further prospectuses as and when required under the UK Prospectus Regulation and seek to refresh the relevant Shareholder authorities to continue to operate the discount and premium control policy.

Subject to the relevant Shareholder authorities being in place, the Company will be permitted to issue up to 15 million New Shares in aggregate pursuant to the Issues. The Board considers this to be the appropriate quantum to avoid any requirement for a further prospectus within the 12 months from the date of this document. As New Shares will only be issued to satisfy demand in the secondary market under the discount and premium control policy, it is possible that the Company may not require to issue as many as 15 million New Shares over the next 12 months. However, even if the maximum 15 million New Shares are issued, the Investment Manager believes that it will continue to find investments into which the proceeds of issue can be deployed effectively. Each Issue will be conditional upon Admission of the relevant New Shares to the premium segment of the Official List and to trading on the Main Market becoming effective. The Issues will not be underwritten.

The Company currently has unutilised authority to issue up to 363,896 New Shares for cash without offering such shares to existing Shareholders on a pre-emptive basis. In addition, the Company is seeking authority to issue up to 2,943,592 New Shares for cash without offering such shares to existing Shareholders on a pre-emptive basis at the annual general meeting to be held on 6 July 2021.

If there is continuing demand for New Shares such that the Directors consider the Company could exhaust its share issuance authorities prior to the date of the Company's next annual general meeting in July 2022 or thereafter, the Directors will convene a general meeting of the Company, if thought appropriate, to seek additional authority to issue New Shares without offering them to existing Shareholders on a pre-emptive basis in accordance with the Company's discount and premium control policy.

The Issues have been proposed by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Ordinary Shares are trading at a premium to the NAV per Ordinary Share. The Directors intend to apply the net proceeds of any Issues in accordance

with the Company's investment policy.

The New Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares).

The Directors believe that the typical investors for whom an investment in the Company is intended are professionally advised private investors, wealth managers on behalf of private clients, institutional investors or those individuals who are prepared to tolerate a degree of risk or potential for loss, investing largely for capital growth from investments. In the event that the maximum number of New Shares (being 15 million New Shares) are issued under the Issues, the existing Ordinary Shares as at 15 June 2021 would represent 50.21 per cent. of the enlarged issued share capital. The New Shares will normally be issued to or through brokers on behalf of the Company to meet demand from investors in the secondary market.

Issue Price

The Issue Price will be determined by the Board at the time of each Issue. It is expected that the Issue Price will be at a level of premium to the then NAV per Ordinary Share (which shall include a premium expected to cover the fixed and variable costs of operating the discount and premium control policy, the costs of investing the proceeds of the relevant Issue under the discount and premium control policy and the Documentation Costs) such that no Issue is expected to be dilutive to the NAV per Ordinary Share. No expenses or tax in connection with any Issue will be charged directly to the investor.

The NAV per Ordinary Share will be calculated in accordance with the Company's normal accounting policies. The Issue Price of each Issue will be announced through a Regulatory Information Service as soon as practicable following each Issue.

Listing and dealing

Issues will be made only in the circumstances described in the paragraph headed "General" above. Where Issues are made it is expected that New Shares will be admitted to the premium segment of the Official List of the FCA and to trading on the Main Market not later than two business days following the Board's resolution to allot those New Shares. No dealings will commence before the relevant date of Admission.

New Shares issued pursuant to the Issues will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post within two days following the issue of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. Dealings in New Shares are expected to commence at the earliest at 8.00 a.m. on 18 June 2021 and no later than 5.00 p.m. on 16 June 2022. The Issues cannot be revoked after dealings in the relevant New Shares have commenced. The ISIN for the Ordinary Shares is GB0001738615.

Costs of the Issues

The Documentation Costs, which have been or will be borne by the Company, are approximately £87,000. Such costs are expected to be covered by the premium to the NAV per Ordinary Share of any future Issues. The immediate dilution in the NAV per Ordinary Share arising from the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Issue and based on the NAV per Ordinary Share as at 15 June 2021) is approximately 0.01 per cent.

It is the intention that a proportion of the Documentation Costs will be recovered to the extent possible on each Issue although the recovery of all or any part of the Documentation Costs cannot be guaranteed.

By way of example, assuming that the maximum number of New Shares available for issue under this document are issued by way of a single Issue at an Issue Price of 4,758.89 pence per Share (being the NAV per Share calculated as at close of business on 15 June 2021), £713,833,500 in aggregate would be raised under the Issues. On these assumptions the total costs and expenses of and incidental to the Issues (including the Documentation Costs) to be borne by the Company, would be £1,179,812.70. This would represent 0.17 per cent. of the total proceeds of the Issues and the net proceeds available for investment by the Company would be £712,653,687.30. These net proceeds would be invested in accordance with the Company's investment policy.

Shareholders who do not participate in the Issues by purchasing New Shares in the market will suffer a dilution of approximately 49.79 per cent. to their existing holdings (assuming 15 million New Shares are issued under this document). As New Shares will only be issued to meet demand for Ordinary Shares under the discount and premium control policy, it is possible that the total number of New Shares issued in the period of 12 months following the date of publication of this document may be less than the maximum of 15 million New Shares.

PART 4

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. Introduction

The statutory accounts of the Company for the two financial years ended 5 April 2020 and 5 April 2021 were audited by PricewaterhouseCoopers LLP (in respect of the year to 5 April 2020) and BDO LLP (in respect of the year to 5 April 2021) whose reports were unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act.

The statutory accounts were prepared in accordance with United Kingdom law and FRS 102.

Copies of the statutory accounts of the Company for the two financial years ended 5 April 2021 are available for inspection on the Company's website at www.capitalgearingtrust.com.

2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published audited annual report and accounts of the Company for the two financial years ended 5 April 2021 as set out in the table below and is expressly incorporated by reference into this document. The non-incorporated parts of these reports of the Company are either not relevant to investors or covered elsewhere in this document.

Nature of Information	<i>Annual report and accounts for year ended</i>	
	<i>5 April 2020</i>	<i>5 April 2021</i>
	<i>Page No.</i>	<i>Page No.</i>
Performance	3	3
Chairman's Statement	4-6	4-6
Investment Manager's Report	13-14	13-14
Portfolio Analysis	15	15
Independent Auditor's Report	41-47	41-45
Income Statement	48	46
Statement of Changes in Equity	49	47
Statement of Financial Position	50	48
Cash Flow Statement	51	49
Notes to the Financial Statements	52-64	50-62

3. Selected financial information

The information in this paragraph 3 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 4. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the two financial years ended 5 April 2021 is set out in the following table:

	<i>Year ended 5 April 2020</i>	<i>Year ended 5 April 2021</i>
Net asset value		
Number of Ordinary Shares	11,509,263*	13,813,113
Net assets (£'000)	470,059	634,046
Net asset value per Ordinary Share (p)**	4,084.2	4,590.2
Ordinary Share price (p)	4,190.0	4,715.0
Income		
Total investment income before operating expenses (£'000)	7,775	9,942
Net return attributable to equity shareholders (£'000)	6,374	6,726
Performance fee (accrued/paid) (£'000)	n/a	n/a
Investment Manager's fee charged to revenue (accrued/paid) (£'000)	856***	2,604
Any other material fees (accrued/paid) to service providers (£'000)	545	612
Revenue return per Ordinary Share (p)	59.12	51.04
Dividend per Ordinary Share (p)	42.00	45.00
Ongoing charges		
As a percentage of average total Shareholders' funds (excluding costs of underlying funds)	0.65%	0.58%
As a percentage of average total Shareholders' funds (including costs of underlying funds)	0.91%	0.90%
Portfolio summary		
Shareholders' funds (£'000)	470,059	634,046

*Excludes 102,300 Ordinary Shares held in treasury as at 5 April 2020

**Net Asset Value per Ordinary Share is based upon the Net Assets, as shown above, and the number of Ordinary Shares in issue as at the year end (excluding Ordinary Shares held in treasury)

***The Investment Management fee in respect of the year to 5 April 2020 was £2,139,000 in total of which only £856,000 was charged to revenue with the balance charged to capital

4. Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Investment Manager's Report" and "Portfolio Analysis" in the published annual report and accounts of the Company as follows:

Nature of Information	<i>Annual report and accounts for year ended</i>	
	<i>5 April 2020</i>	<i>5 April 2021</i>
	<i>Page No.</i>	<i>Page No.</i>
Chairman's Statement	4-6	4-6

Investment Manager's Report	13-14	13-14
Portfolio Analysis	15	15

5. Significant change

Since 5 April 2021 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial position of the Company.

6. Net proceeds and expenses of the Issues

Assuming that the maximum number of New Shares available for issue under this document are issued by way of a single Issue at an Issue Price of 4,758.89 pence per Share (being the NAV per Ordinary Share calculated as at close of business on 15 June 2021), £713,833,500 in aggregate would be raised under the Issues. On these assumptions the total costs and expenses of and incidental to the Issues (including the Documentation Costs) to be borne by the Company, would be £1,179,812.70. This would represent 0.17 per cent. of the total proceeds of the Issues and the net proceeds available for investment by the Company would be £712,653,687.30. These net proceeds would be invested in accordance with the Company's investment policy.

7. Capitalisation and indebtedness

The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, and secured and unsecured indebtedness) as at 5 April 2021.

	<i>5 April 2021</i> (£'000)
Total current debt	-
– Guaranteed	-
– Secured	-
– Unguaranteed/unsecured	-
Total non-current debt	-
– Guaranteed	-
– Secured	-
– Unguaranteed/unsecured	-
Shareholders' equity	
– Share capital	3,453
– Legal reserves (excl. revenue reserves)	463,453
– Other reserves	167,140
Total	<u>634,046</u>

The information in the table above is audited financial information extracted from the annual report and accounts as at 5 April 2021. There has been no material change to the capitalisation of the Company since 5 April 2021 (being the last date in respect of which financial information has been published by the Company).

The following table shows the Company's net indebtedness as at 15 June 2021. The information in the following table is unaudited financial information extracted from internal management accounting records as at 15 June 2021.

	£'000
A. Cash	31,472
B. Cash equivalent	-
C. Trading securities	692,007
D. Liquidity (A+B+C)	723,479
E. Current financial receivable	(3,580)
F. Current bank debt	-
G. Current portion of non-current debt	-
H. Other current financial debt	-
I. Current financial debt (F+G+H)	-
J. Net current financial indebtedness (I-E-D)	(719,899)
K. Non-current bank loans	-
L. Bonds issued	-
M. Other non-current loans	-
N. Non-current financial indebtedness (K+L+M)	-
O. Net financial indebtedness (J+N)	(719,899)

8. Working capital

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this document).

9. Net Asset Value

The unaudited NAV per Ordinary Share as at 15 June 2021 was 4,758.89 pence including current income.

10. Capital resources

The Company has 15,127,463 Ordinary Shares in issue as at 15 June 2021. The Company does not hold any Ordinary Shares in treasury.

The Company's source of funds is its income from its investment portfolio which was £7,775,000 for the 12 months to 5 April 2020 and £9,942,000 for the 12 months to 5 April 2021. The Company's principal expenditure comprises fees payable to the Investment Manager, the Depositary, the Company's other advisers and the Directors. Its total expenditure for: (i) the 12 month period to 5 April 2020 was £2,684,000; and (ii) the 12 month period to 5 April 2021 was £3,216,000.

As at 15 June 2021, the Company has cash and cash equivalent reserves of approximately £31,472,000.

11. Analysis of investment portfolio

As at close of business on 15 June 2021 (being the business day prior to the publication of this document), the Company's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £723,479,000.

The following table shows the distribution of the portfolio by asset class as at 15 June 2021 (being the latest practicable date prior to the publication of this document).

<i>By asset class</i>	<i>Percentage of Total Assets (%)</i>
Index-Linked Government Bonds	30.40
Conventional Government Bonds	10.60
Preference Shares/Corporate Debt	8.93
Funds/Equities	44.09
Cash	4.35
Gold	1.63
	100.00

The Company's top 10 investments within each asset class, as at 15 June 2021 (being the date of this document), were as follows:

Index-Linked Government Bonds

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets(%)</i>
UK Treasury 0.125% 22/03/2024	23,767	3.29
USA Treasury 1.375% 2044	10,019	1.38
Japan Government Bond 0.1% 2029	9,953	1.38
USA Treasury 0.75% 2045	9,836	1.36
USA Treasury 2.0% 2026	9,761	1.35
USA Treasury 0.125% 2026	9,413	1.30
USA Treasury 0.625% 2023	8,608	1.19
USA Treasury 1.0% 2046	8,278	1.14
USA Treasury 0.375% 2027	8,243	1.14
Japan Government Bond 0.1% 2028	7,671	1.06
Total	105,549	14.59

Conventional Government Bonds

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets(%)</i>
UK Treasury 02/08/2021	9,999	1.38
UK Treasury 26/07/2021	6,999	0.97
UK Treasury 28/06/2021	5,000	0.69
UK Treasury 25/10/2021	4,999	0.69

UK Treasury 18/10/2021	4,999	0.69
UK Treasury 11/10/2021	4,999	0.69
UK Treasury 22/11/2021	4,998	0.69
UK Treasury 09/08/2021	4,000	0.55
UK Treasury 13/09/2021	3,999	0.55
UK Treasury 04/10/2021	3,999	0.55
Total	53,991	7.45

Preference Shares/Corporate Debt

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets(%)</i>
Pershing Square 5.5% 2022 (Corporate Debt)	4,861	0.67
NB Private Equity 2022 (Zero Dividend Preference Share)	3,645	0.50
Severn Trent 1.3% 2022 (Corporate Debt)	3,484	0.48
National Grid 1.25% 2021 (Corporate Debt)	3,299	0.46
Burford Capital 6.5% 2022 (Corporate Debt)	3,082	0.43
Aberdeen Asian Smaller Companies 2.25% 2025 (Corporate Debt)	2,902	0.40
Burford Capital 6.125% 2024 (Corporate Debt)	2,850	0.39
JZ Capital Partners 6.0% Convertible Unsecured Loan Stock 2021 (Zero Dividend Preference Share)	2,615	0.36
Places for People Capital Markets 1% 2022 (Corporate Debt)	2,502	0.35
Acorn Income Fund 2022 (Zero Dividend Preference Share)	2,471	0.34
Total	31,711	4.38

Funds/Equities

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets(%)</i>
Vanguard FTSE Japan UCITS ETF	35,674	4.93
Vonovia	19,555	2.70
Vanguard FTSE 100 UCITS ETF	17,944	2.48
North Atlantic Smaller Companies	15,164	2.10
Grainger	14,128	1.95
Secure Income REIT	13,738	1.90
iShares Core FTSE 100 ETF	11,054	1.53
GCP Student Living	9,868	1.36
Gabelli Value Plus Trust	8,335	1.15
Phoenix Spree Deutschland	6,948	0.96
Total	152,408	21.06

Gold

	<i>Valuation (£'000s)</i>	<i>Percentage of Total Assets(%)</i>
Wisdomtree Physical Swiss Gold	11,759	1.63
Total	11,759	1.63

The information in this paragraph 11 is unaudited information on the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

PART 5

TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HMRC practice in force as at the date of this document and relate only to the position of Shareholders who are beneficial owners of their Ordinary Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Ordinary Shares in the Company.

1. The Company

It is the intention of the Directors to continue to conduct the affairs of the Company to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. The Company has been approved as an investment trust pursuant to the Investment Trust (Approved Company) (Tax) Regulations 2011, which came into force on 1 January 2012, and have applied to the Company from its accounting period beginning 6 April 2012. The Company will therefore continue to have investment trust status in each accounting period going forward and will be exempt from United Kingdom taxation on its capital gains, other than to the extent that the Company commits a serious breach of one or more of the conditions for qualification as an investment trust. In order to maintain its investment trust status for an accounting period, the Company must not, inter alia, be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income generally being exempt from UK corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on income that is also subject to UK tax.

2. Shareholders

2.1 Taxation of capital gains

Individual Shareholders resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, UK corporation tax, on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Ordinary Shares. From 6 April 2016, a disposal by an individual Shareholder, resident in the UK for taxation purposes, of their Ordinary Shares is subject to capital gains tax at a rate of tax of 20 per cent. where the individual pays income tax at the higher or additional rates of tax; otherwise a tax rate of 10 per cent. applies. An individual may be able to claim certain reliefs (including the annual exemption in respect of the first £12,300 of capital gains received in the fiscal year 2021/22). Until 31 December 2017 Shareholders which were corporations resident in the UK benefited from an indexation allowance which, in general

terms, increased the tax base cost of an asset in accordance with changes in the Retail Prices Index. However, legislation introduced in Finance Act 2018 removed indexation allowance such that for disposals on or after 1 January 2018 the indexation allowance will only be calculated up to 31 December 2017, irrespective of the date of disposal. Indexation allowance may not create or increase an allowable loss.

Shareholders who are not resident in the UK for taxation purposes will not normally be liable to capital gains tax in the UK arising from the sale or other disposal of their Ordinary Shares unless (in the case of a corporate shareholder) those Ordinary Shares are held through a UK branch or agency, although they may be subject to foreign taxation depending upon their personal circumstances.

2.2 *Taxation of dividends*

The Company has to date not elected into the streaming regime in relation to dividends paid by the Company and therefore no part of any dividend received is expected to be treated as interest. However, it is possible that this will change in the future and should this be the case a proportion of distributions paid by the Company going forward would be treated as interest. Investors would be notified of the proportionate split by way of the distribution voucher issued by the Company in relation to each distribution.

Individual Shareholders resident in the UK for taxation purposes are entitled to an annual tax-free dividend allowance (£2,000 for the fiscal year 2021/22). Dividends received in excess of this allowance will be taxed, for the fiscal year 2021/22 at 7.5 per cent. (basic rate taxpayers), 32.5 per cent. (higher rate taxpayers) and 38.1 per cent. (additional rate taxpayers). Dividends received by pensions and ISAs are not taxable.

In general, UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to UK corporation tax or UK income tax in respect of dividends, except in certain circumstances.

Non-UK resident Shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK. Under current legislation, no withholding tax will be deducted from any dividends paid by the Company.

3. **Stamp duty and stamp duty reserve tax**

In relation to UK stamp duty and SDRT:

- (i) The allocation, allotment and issue of the New Shares will not give rise to a liability to stamp duty or SDRT.
- (ii) Any subsequent conveyance or transfer on sale of Ordinary Shares in certificated form will usually be subject to stamp duty on the instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (the amount payable being rounded up, if necessary, to the nearest multiple of £5). An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument

does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

- (iii) A transfer of Ordinary Shares effected on a paperless basis through CREST (where there is a change in the beneficial ownership of the shares) will generally be subject to SDRT (rather than stamp duty) at the rate of 0.5 per cent. (the amount payable being rounded up to the nearest penny) of the value of the consideration given.

Transfers to a company will be chargeable on not less than the open market value of the Ordinary Shares where the transferor is connected with the company.

Special rules apply where shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depository receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at the higher rate of 1.5 per cent. of the value of the consideration given or, in some cases, the value of the shares. Following litigation, however, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service or depository receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will, however, continue to apply to transfers of shares into a clearance service or depository receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation.

4. ISAs

New Shares will qualify for the purposes of an ISA, provided that they are acquired by an ISA manager in the market.

For the 2021/22 tax year ISAs have an overall subscription limit of £20,000, all of which can be invested in stocks and shares, for which New Shares will qualify.

5. SIPPs and SSASs

Ordinary Shares will be permitted investments for SIPPs and SSASs.

PART 6

GENERAL INFORMATION

1. Incorporation and general

1.1 The Company was incorporated and registered in Northern Ireland on 3 May 1963 as a private company limited by shares under the Companies Act (Northern Ireland) 1960 with registered number NI005574. The Ordinary Shares in the Company were first admitted to listing in 1973 and the Company re-registered as a public company in June 1984. The Company operates under the Companies Act and regulations made under the Companies Act. Its registered office is at c/o Carson McDowell LLP, Murray House, Murray Street, Belfast BT1 6DN (telephone number: 0131 378 0500). The Company's website is at www.capitalgearingtrust.com. Information on the website does not form part of this document unless that information is incorporated by reference into this document. Save for its compliance with the Companies Act, the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and the Prospectus Regulation Rules, the Company is not a regulated entity.

1.2 In accordance with the Companies Act, the objects of the Company are unrestricted.

1.3 The Investment Manager is a company incorporated in England and Wales under the Companies Act 1985 on 21 August 2000 with registered number 04056163. The Investment Manager's registered office is at 25 Moorgate, London EC2R 6AY (telephone number: 020 7131 4987). The Investment Manager is authorised and regulated by the FCA with firm reference number 195763 and has significant experience of providing investment management services.

1.4 Northern Trust Global Services SE (acting through its UK branch) acts as depositary to the Company. The Depositary was incorporated in Luxembourg on 1 March 2019 with registered number B232281. The Depositary operates a UK branch that was established on 1 January 2021 with company number FC038330. The Depositary's LEI is HWIPDOTRM1EKRPKYKH81. The Depositary's registered office is 10 Rue Du Chateau d'Eau, Leudelange, Luxembourg, 3364 and its business address is 50 Bank Street, London E14 5NT. The Depositary is authorised and regulated by the FCA with firm reference number 829966. The Depositary also provides custodian services to the Company.

2. Share capital and indebtedness

2.1 The issued share capital of the Company (all of which issued Ordinary Shares are fully paid-up) as at the date of this document and immediately following Admission (assuming the maximum number of New Shares are issued) will be as follows:

	<i>No. of Ordinary Shares</i>	<i>Nominal value per Ordinary Share</i>
As at the latest practicable date prior to the publication of this document	15,127,463	25 pence

Immediately following Admission of all of the New Shares	30,127,463	25 pence
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As at the date of this document no Ordinary Shares are held by the Company in treasury. The Company has no authorised share capital.

2.2 The following changes have occurred in the share capital of the Company between 6 April 2019 and 5 April 2021.

2.2.1 in the financial year from 6 April 2019 to 5 April 2020 the Company: (i) issued 3,724,974 Ordinary Shares pursuant to the discount and premium control policy for a consideration of £160.3 million; and (ii) bought back 198,300 Ordinary Shares pursuant to the discount and premium control policy for a consideration of £7.8 million; and

2.2.2 in the financial year from 6 April 2020 to 5 April 2021 the Company issued 2,201,550 Ordinary Shares pursuant to the discount and premium control policy for a consideration of £100.9 million.

As at 6 April 2019, the Company had 7,886,589 Ordinary Shares in issue and, as at 5 April 2021, the Company had 13,813,113 Ordinary Shares in issue. In the period from 6 April 2021 to 15 June 2021 the Company has issued a further 1,314,350 Ordinary Shares.

2.3 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

2.4 At the annual general meeting of the Company held on 3 July 2020, the Directors were authorised as follows:

2.4.1 generally and unconditionally, pursuant to section 551 of the Companies Act, to allot Ordinary Shares and to grant rights to subscribe for or to convert any securities into Ordinary Shares up to an aggregate nominal amount of £972,463.50 (such authority to expire at the conclusion of the Company's next annual general meeting);

2.4.2 pursuant to sections 570 and 573 of the Companies Act, to allot equity securities (as defined in section 560 of the Companies Act), including the grant of rights to subscribe for, or to convert any securities into, Ordinary Shares, for cash either (i) pursuant to the authority noted in paragraph 2.4.1 above; or (ii) by way of sale of those Ordinary Shares held by the Company in treasury, as if sub-section 561(1) of the Companies Act did not apply to any such allotment of equity securities, provided that such authority will expire at the conclusion of the next annual general meeting of the Company and is limited to the allotment of equity securities up to an aggregate nominal amount of £291,739; and

2.4.3 pursuant to sections 570 and 573 of the Companies Act, to allot equity securities (as defined in section 560 of the Companies Act), including the grant of rights to

subscribe for, or to convert any securities into, Ordinary Shares, for cash either (i) pursuant to the authority noted in paragraph 2.4.1 above; or (ii) by way of sale of those Ordinary Shares held by the Company in treasury, as if sub-section 561(1) of the Companies Act did not apply to any such allotment of equity securities, provided that such authority will expire at the conclusion of the next annual general meeting of the Company and is limited to the allotment of equity securities up to an aggregate nominal amount of £291,739.

2.5 At the general meeting of the Company held on 6 April 2021, the Directors were authorised as follows:

2.5.1 in addition to all existing authority pursuant to sections 570 and 573 of the Companies Act, to allot equity securities (as defined in section 560 of the Companies Act), including the grant of rights to subscribe for, or to convert any securities into, Ordinary Shares, for cash either (i) pursuant to the existing authority; or (ii) by way of sale of this Ordinary Shares by the Company in treasury, as if sub-section 561(1) of the Companies Act did not apply to any such allotment of equity securities, provided that such authority will expire at the conclusion of the next annual general meeting of the Company and is limited to the allotment of equity securities up to an aggregate nominal amount of £339,021.

2.6 The disapplication of statutory pre-emption rights in the terms provided under the special resolutions noted at paragraphs 2.4.2, 2.4.3 and 2.5.1 above gives the Company the flexibility to allot and issue Ordinary Shares or resell any Ordinary Shares which it holds in treasury for cash without first being required to offer such Ordinary Shares to existing Shareholders in proportion to their existing holdings.

2.7 The provisions of section 561 of the Companies Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraph 2.4.2, 2.4.3 and 2.5.1 above.

2.8 The Company has authority to buyback up to 1,749,267 Ordinary Shares. As at the date of this document the Company has not purchased any Ordinary Shares pursuant to this authority.

2.9 At the annual general meeting of the Company held in July 2020, Shareholders approved the cancellation of the amount standing to the credit of the Company's share premium account. Following the completion of this process including court approval, the credit arising in the Company's books of account will be available as distributable profits.

3. Articles

The Ordinary Shares (which at the date of this document are the only class of share in issue of the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3. The Articles contain provisions, *inter alia*, to the following effect:

3.1 *Dividends*

Subject to the provisions of the Companies Act, the Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Any dividend unclaimed for a period of 12 years from the date of declaration of such dividend shall be forfeited and shall cease to remain owing by the Company.

In the event that a notice (as detailed in paragraph 3.2.2 below) has been served, and the person holding the restricted Ordinary Shares holds at least 0.25 per cent. in number or nominal value of the Ordinary Shares in the Company, the Board may withhold the payment of all or part of any dividend (including shares issued in lieu of dividends) due on those restricted Ordinary Shares.

3.2 *Voting*

3.2.1 *General voting rights*

The holder of an Ordinary Share shall be entitled to receive notice of, and to attend, speak and vote at, all general meetings of the Company in person (or, if a corporation, by a duly authorised representative) or by proxy. At any general meeting, on a show of hands every holder of Ordinary Shares who is present and entitled to vote shall have one vote and upon a poll every such holder of Ordinary Shares present in person, by duly authorised corporate representative or by proxy shall have one vote in respect of each Ordinary Share held by him and every corporate representative present in person may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every Ordinary Share in respect of which he is appointed the corporate representative. However, no member shall be entitled to exercise a vote at any general meeting (or class meeting) (i) in relation to an Ordinary Share if any call or other sum immediately payable by him in respect of that Ordinary Share remains unpaid; or (ii) in relation to any Ordinary Shares if a member has been served with a statutory notice by the Directors in the manner described in paragraph 3.2.2 below and has failed to supply to the Company the information required thereby within 14 days.

3.2.2 *Restrictions on voting*

If a holder of Ordinary Shares or any person appearing to be interested in those Ordinary Shares is served with a statutory notice by the Company under section 793 of the Companies Act (which notice demands the disclosure of certain information regarding the relevant receiver's interest in the Ordinary Shares) but defaults in supplying to the Company the information thereby required within 14 days of the service of such notice then the Directors may prevent the holder

from voting at any general meeting or class of the Company in respect of those Ordinary Shares.

3.3 *Redeemable shares*

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any class of shares for the time being in issue, any share may be issued on terms that it is, or is liable to be, redeemed at the option of the Company or the holder on such terms and conditions and in such manner as the Directors may, before the allotment of such shares, determine.

3.4 *Transfer of Ordinary Shares*

The Articles provide that Ordinary Shares may be transferred on the following basis:

3.4.1 any member may transfer all or any of his uncertificated Ordinary Shares by means of a relevant system in such manner provided for in, and subject to, the Uncertificated Securities Regulations 2001 and the rules of any relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated Ordinary Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Ordinary Share to be transferred; and

3.4.2 any member may transfer all or any of his certificated Ordinary Shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company in respect of it.

However, the Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any Ordinary Share which is not fully paid provided that where such Ordinary Share is admitted to the premium segment of the Official List such discretion may not be exercised in such a way as to prevent dealings in Ordinary Shares of that class from taking place on an open and proper basis.

The Board may also decline to register a transfer of an uncertificated Ordinary Share in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In relation to certificated Ordinary Shares, the Board may also decline to register any transfer unless:

- (i) the instrument of transfer is delivered for registration to the registrar's office or such other place as the Directors have specified, accompanied by the certificate(s) for the shares to which it relates (except in the case of a transfer by a financial institution

where a certificate has not been issued or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so;

- (ii) (if stamp duty is generally chargeable on transfers of certificated Ordinary Shares) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty;
- (iii) the instrument of transfer is in respect of only one class of share; and
- (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Ordinary Share is to be transferred does not exceed four.

The Board may in addition decline, subject to the requirements of the Uncertificated Securities Regulations 2001, to register the transfer of an Ordinary Share subject to a notice (as detailed in paragraph 3.2.2 above) where the person holding the restricted Ordinary Shares holds at least 0.25 per cent. in number or nominal value of the Ordinary Shares in the Company. This restriction cannot be applied where the transfer is pursuant to an "arm's length sale".

3.5 *Variation of rights*

All or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise). All the provisions of the Articles as to general meetings of the Company (described at paragraph 3.10 below) shall, *mutatis mutandis*, apply to any such separate general meeting, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal amount of the issued shares of the class (excluding any shares of that class held as treasury shares), but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum, that every holder of shares of the class present in person or by proxy (excluding any Ordinary Shares of that class held as treasury shares) shall be entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and that any holder of shares of the class present in person or by proxy may demand a poll.

3.6 *Untraced Shareholders*

Subject to various notice requirements, the Company may sell on the London Stock Exchange at the best price reasonably obtainable any certificated Ordinary Share provided that for a period of 12 years at least three dividends (whether interim or final) on those Ordinary Shares have become payable and no dividend in respect of those Ordinary Shares during that period has been claimed by presentation at a bank of the relevant

cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of (or person entitled to) the Ordinary Shares or otherwise been transferred through CREST (or another relevant service), and so far as the Directors are aware the Company has not received any communication during the relevant period from the holder of, or person entitled to, those Ordinary Shares.

3.7 *Reserves*

The Directors may, before recommending any dividend (whether preferential or otherwise) but having regard to Chapter 4 of Part 24 of the Tax Act, carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any purpose which the profits of the Company may properly be applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such instruments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit, and may consolidated into one fund any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

3.8 *Borrowing powers*

The Board may, subject to the provisions of the Companies Act and the restrictions set out below, exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Company or any of its subsidiaries from time to time and for the time being owing to persons outside the Company or any of its subsidiaries from time to time shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 50 per cent. of the net assets of the Company provided that it shall not be necessary to reduce the borrowings of the Company by reason of said percentage limit being exceeded as a result of any depreciation in the value of the assets of the Company but if any such borrowings are repaid no further borrowings shall be made which at that date would result in such limit being exceeded or further exceeded.

No person dealing with the Company or any of its subsidiaries shall be concerned to see or enquire whether the said limit is observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or the recipient of the security had, at the time when the debt was incurred or security given, express notice that the said

limit had been or would thereby be exceeded.

3.9 *Directors*

3.9.1 *Number of Directors*

Unless otherwise determined by ordinary resolution, the minimum number of Directors is two and there shall be no more than six Directors.

3.9.2 *Appointment and removal of Directors*

The Company may by ordinary resolution appoint any person who is willing to act to be a Director (either as an addition to the Board or to fill a vacancy). The Board may also appoint any person to the Board (either as an addition or to fill a vacancy) for the period from the date of appointment until the next annual general meeting.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected and one third of the Board shall retire annually.

The Company may remove a Director at any time by ordinary resolution.

The office of Director shall also be vacated if:

- (i) he becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of the Companies Act; or
- (ii) he resigns by notice in writing to the Company or tendered at a meeting of the Directors or if by notice in writing to the Company or tendered at a meeting of the Directors he offers to resign, and the Directors resolve to accept such offer; or
- (iii) he has a bankruptcy order made against him or settles or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act; or
- (iv) he becomes incapable by reason of illness or injury of managing and administering his property and affairs and the Directors resolve that his office be vacated; or
- (v) he and his alternate (if any) are absent from meetings of the Directors for the greater of six consecutive months and six consecutive meetings without the consent of the Directors and the Directors resolve that his office be vacated; or
- (vi) having retired in accordance with the Articles, he is not re-appointed as

a Director.

3.9.3 *Directors' fees, expenses and remuneration*

The fees paid to Directors for their services as Directors shall not exceed £150,000 in aggregate or such higher amount as the Company may by ordinary resolution determine. A Director may also be paid his travelling, hotel and other expenses properly and reasonably incurred in attending and returning from meetings of the Directors or any committees of the Directors or general meetings of the Company or otherwise properly and reasonably incurred by him in connection with the business of the Company. A Director who is appointed to any executive office or employment with the Company or any associated company, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such remuneration or benefits by way of salary, commission, participation in profits or otherwise, in addition to or in substitution for his ordinary remuneration as a Director, as the Directors or any committee of the Company authorised by the Directors may determine.

3.9.4 *Directors' interests*

No Director or proposed or intending director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director, notwithstanding his office, may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any associated company. A Director who is a director or other officer of, or otherwise interested in, any associated company is authorised to act subject to any guidance from time to time issued by the Directors for dealing with conflict situations arising in relation to associated companies or any of them. The Directors may exercise any voting rights exercisable by the Company in any associated company in such manner and in such respects as they think fit, including voting in favour of any resolution appointing them or any of their number directors or officers of any associated company or voting or providing for the payment of remuneration to the directors or officers of any associated company.

A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the

Company is interested.

A Director shall not vote (or, if he does vote, his vote shall not be counted) or be counted as part of the quorum on any resolution of the Directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has a direct or indirect interest unless (i) his interest cannot reasonably be regarded as likely to give rise to a conflict of interests or (ii) the resolution relates to one of the permitted matters listed in the Articles and he has no other interest beyond that indicated.

Any authorisation given by the Board under the Articles may provide that the Director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a Director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company.

If a question arises at any time as to whether a Director's interest can reasonably be regarded as likely to give rise to a conflict of interests or as to his entitlement to vote or be counted in a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be conclusive and binding on all concerned, except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.

3.9.5 *Voting and quorum*

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The quorum at Board meetings shall be two Directors (unless fixed at another number by the Board).

3.10 *General meetings*

Annual general meetings shall be convened by not less than 21 clear days' notice in writing. Subject to the Companies Act, all other general meetings shall be called by not less than 14 clear days' notice in writing. The notice shall specify the place, date and time of the meeting and the general nature of the business to be transacted. Notice of every general meeting shall be given to the Directors and all members other than any who, under the provisions of the Articles or the terms of issue of the Ordinary Shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors or, if more than one, each of them.

The accidental omission to give notice of a general meeting or of any resolution intended to be moved at a general meeting or the accidental omission to send any document relating to any general meeting to, or the non-receipt of any such notice or document by, any person

entitled to receive the notice or document shall not invalidate the proceedings at that meeting.

3.11 *Right to indemnity*

Subject to the Companies Act, but without prejudice to any indemnity which he may otherwise be entitled, the Company may indemnify every Director and other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or the exercise of his powers or office, including any liability which may attach to him in respect of any negligence, default, breach or duty or breach of trust in relation to anything done or omitted to be done or alleged to have been done or omitted to be done by him provided that such indemnity shall not apply in respect of any liability incurred by such Director or former Director:

- (i) to the Company or its subsidiaries;
- (ii) to pay a fine imposed in criminal proceedings;
- (iii) to pay a sum payable to a regulatory authority by way of penalty in respect of non-compliance with any requirement of a regulatory nature (howsoever arising);
- (iv) in defending criminal proceedings in which he is convicted;
- (v) defending a civil proceedings brought against him by the Company or any member of its group in which judgment is given against him;
- (vi) in connection with any application under section 661 or 1157 of the Companies Act in which the court refuses to grant him relief.

The Directors may purchase and maintain at the cost of the Company insurance cover for the benefit of every Director and officer of the Company.

The Company has proposed that revised articles of association are adopted at the annual general meeting of the Company to be held on 6 July 2021. A number of minor amendments have been proposed to reflect recent legislative changes and to allow for hybrid meetings to be held if required. An increase to the cap on Directors' fees, from £150,000 to £165,000 is also being sought pursuant to the changes.

4. Directors' and other interests

- 4.1 The aggregate of the remuneration paid to the Directors by the Company for the financial period which ended on 5 April 2021 was £35,000 to the Chairman, £32,000 to the Chairman of the Audit Committee and £25,000 to each of other directors. Mr Laing no longer receives a fee from the Company, effective 6 April 2018. The fees are reviewed annually. In respect of the current financial year that commenced on 6 April 2021, the annual remuneration paid to the Directors by the Company was increased to £38,500 to the Chairman, £35,000 to the Chairman of the Audit Committee and £27,500 to the other non-

executive Directors (save for Mr Laing). The fees are reviewed annually. In addition, the Directors will receive taxable benefits in kind to cover the travel costs associated with attending board and committee meetings. There were no such benefits in kind in respect of the financial year to 5 April 2021. The total remuneration and benefits in kind granted to the Directors will not be varied as a consequence of the Issues. No Director is eligible for pension, retirement or similar benefits and no amounts have been set aside by the Company to provide pension, retirement or similar benefits.

- 4.2 Any new Director appointed during the year must stand for election at the first annual general meeting following their appointment. Thereafter, each of the Directors is obliged to retire and, subject to a performance evaluation, if they wish, offer themselves for re-election every three years however it is the intention that all Directors will stand for annual re-election in accordance with the AIC Code going forward. Directors who have served on the Board for longer than nine years will submit themselves for re-election every year. None of the Directors' letters of appointment contain notice periods nor provisions for any compensation being payable upon early termination by the Company.
- 4.3 No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4 No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 4.5 The Directors do not have any options over Ordinary Shares. As at the date of this document, the interests of the Directors in the issued share capital of the Company were as follows:

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued shared capital</i>
Miss J G K Matterson (Chairman)	15,700	0.10%
Mr R Archibald	2,287	0.02%
Ms W Colquhoun	400	0.00%
Mr A R Laing	15,762	0.10%
Mr P Yates	1,000	0.01%

- 4.6 As at 15 June 2021 (being the latest practicable date prior to the publication of this document) the Company is aware of the following persons who are interested in three per cent. or more of the Company's issued share capital.

	<i>No. of Ordinary Shares</i>	<i>Percentage of issued shared capital</i>
LGT Vestra	977,722	6.46%

The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There

are no different voting rights for any Shareholder.

4.7 Details of those companies (other than the Company) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time in the five years preceding the date of this document are as follows:

	Current directorships/ memberships	Previous directorships/ memberships
(i) Mr Archibald	<ul style="list-style-type: none"> ▪ Albion Technology & General VCT plc ▪ Ediston Property Investment Company plc ▪ Epic (No.1) Limited ▪ Epic (No.2) Limited ▪ Henderson European Focus Trust plc ▪ Shires Income plc 	<ul style="list-style-type: none"> ▪ Albion Income & Growth VCT plc (dissolved) ▪ StockBridge Advisers Limited ▪ Stewart Ivory Financial Education Trust
(ii) Ms Colquhoun	<ul style="list-style-type: none"> ▪ Henderson Opportunities Trust plc ▪ Schroder UK Mid Cap Fund plc 	<ul style="list-style-type: none"> ▪ CMS Cameron McKenna Nabarro Olswang LLP ▪ Scottish Financial Enterprise
(iii) Mr Laing	<ul style="list-style-type: none"> ▪ CG Asset Management Limited 	<ul style="list-style-type: none"> ▪ None
(iv) Miss Matterson	<ul style="list-style-type: none"> ▪ Faracole Pty Limited ▪ Herald Investment Management Limited ▪ HIML Holdings Limited ▪ Matterson Investments Pty Limited 	<ul style="list-style-type: none"> ▪ BlackRock Throgmorton Trust plc ▪ Dunedin Income Growth Investment Trust plc ▪ Pacific Horizon Investment Trust plc ▪ Rossie House Investment Management LLP ▪ Salmon & Trout Conservation UK
(v) Mr Yates	<ul style="list-style-type: none"> ▪ Fidelity European Trust plc ▪ Witan Investment Services Limited ▪ Witan Investment Trust plc 	<ul style="list-style-type: none"> ▪ Aberdeen Diversified Income and Growth Trust plc ▪ Aberdeen UK Tracker Trust plc ▪ The Merchants Trust plc

4.8 As at the date of this document, none of the Directors:

- 4.8.1 has any convictions in relation to fraudulent offences for at least the previous five years;
 - 4.8.2 has been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.7 above; or
 - 4.8.3 has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.
- 4.9 The Administrator maintains a conflicts of interest register to monitor any potential conflicts of interest between any duties of the Directors carried out on behalf of the Company and their private interests and/or other duties. Save for those companies and/or partnerships referred to in paragraph 4.7 above, there are no potential conflicts of interest. All of the Directors, save for Mr Laing, are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

5. Subsidiary undertakings

The Company has no subsidiary undertakings.

6. Related party transactions

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time during the two financial periods ended 5 April 2021 in respect of which the Company has published statutory accounts or during the period from 6 April 2021 to the date of this document, other than those disclosed in the notes to the financial statements of the Company for the two financial periods ended 5 April 2021.

7. Mandatory bids, squeeze-out and sell-out rules

7.1 Mandatory bids

As a company incorporated in Northern Ireland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires an interest in 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12

months for all the remaining equity share capital of the relevant company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares might take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buying back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

7.2 *Squeeze-out and sell-out rules*

Other than as provided by the Companies Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares. Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the Ordinary Shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding Ordinary Shares not assented to the offer. It would do so by sending a notice to the other holders of Ordinary Shares telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of those Ordinary Shares subject to the transfer. The consideration offered to the holders whose Ordinary Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the Ordinary Shares (in value and by voting rights, pursuant to a takeover offer that relates to all the Ordinary Shares in the Company) to which the offer relates, any holder of Ordinary Shares to which the offer relates who has not accepted the offer may require the offeror to acquire his Ordinary Shares on the same terms as the takeover offer.

The offeror would be required to give any holder of Ordinary Shares notice of his right to be bought out within one month of that right arising. Such sell out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of Ordinary Shares notifying them of their sell out rights. If a holder of Ordinary Shares exercises their rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

8. Material contracts

The following are all of the material contracts, other than contracts entered into in the

ordinary course of business, to which the Company has been a party within the two years preceding the date of publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

8.1 *Investment Management Agreement*

The Investment Management Agreement dated 10 November 2017 (as amended from time to time) pursuant to which the Investment Manager has agreed, subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time, to advise upon investments in accordance with the Company's investment policy and to act as the Company's alternative investment fund manager for the purposes of the AIFM Directive. The Investment Manager receives a management fee in accordance with the Investment Management Agreement, such management fee being calculated and payable quarterly in arrears. The management fee is based on the net assets of the Company attributable to Shareholders and is calculated quarterly at a rate per annum dependent on the Company's net assets. The fee payable to the Investment Manager is 0.6 per cent. on the amount of net assets up to £120 million, 0.45 per cent. on the amount of net assets that exceeds £120 million up to £500 million and 0.3 per cent on the amount of net assets that exceeds £500 million.

The Investment Management Agreement will continue until terminated at any time by either party giving to the other not less than six months' written notice. Either party may also terminate the Investment Management Agreement by notice in writing if, amongst other things, either party commits a material breach or on the occurrence of certain insolvency events. The Company may also terminate the Investment Management Agreement if the Investment Manager ceases to be authorised under FSMA or ceases to maintain its permission with the FCA including in respect of the AIFM Directive.

The Investment Manager has agreed to indemnify the Company in respect of all losses incurred as a result of the negligence, wilful default, fraud or bad faith of the Investment Manager or a breach of the Investment Management Agreement by the Investment Manager.

The Company has agreed to indemnify the Investment Manager in respect of all claims by third parties in relation to such acts and things as the Investment Manager shall lawfully do or cause to be done in the proper performance of its duties except to the extent that such claim is due to the negligence, wilful default, fraud or bad faith of the Investment Manager or a breach of any applicable laws or the Investment Management Agreement.

The Investment Management Agreement is governed by the laws of England.

8.2 *The Administration Agreement*

The Administration Agreement dated 22 July 2015 (as amended from time to time) pursuant to which the Administrator has agreed to act as administrator of the Company and to provide company secretarial, accounting and discount management services to the

Company. The Administrator is entitled to receive an annual fee for its services, currently £150,720 (plus VAT if applicable) as administrator to the Company. The fees to the Administrator are recalculated annually in line with the increase in the Consumer Prices Index over the preceding 12 month period. The Administrator also receives a fee of £30,000 per annum plus a commission of 0.1 per cent. of the aggregate consideration paid in respect of any Ordinary Shares bought back by the Company or consideration received by the Company pursuant to the issue of Ordinary Shares under the discount and premium control policy. The fees payable under the Administration Agreement are payable quarterly in advance.

The Administration Agreement will continue until terminated at any time by any party giving to the other not less than three months' written notice. The Company may also terminate the Administration Agreement immediately where the Administrator commits a material breach of the Administration Agreement or on the occurrence of certain insolvency events in respect of the Administrator. The Administrator may also terminate the Administration Agreement immediately on the occurrence of any of these events in respect of the Company. The Company is entitled to terminate the Administration Agreement on less than three months' notice if it pays compensation to the Administrator in an amount equal to the fee which would have been payable if the agreement had been terminated and the full period of notice served.

The Administrator has agreed to indemnify the Company in respect of all losses incurred from a breach of the Administration Agreement by it, as a result of the negligence, fraud, misconduct or wilful default of the Administrator or any of its directors, officers, employees or agents.

The Company has agreed to indemnify the Administrator in respect of all losses incurred by the Administrator which arise in performing any of its duties or obligations under the Administration Agreement save where any such loss is incurred as a result of any material breach by the Administrator of the Administration Agreement or the fraud, negligence or wilful default of the Administrator or any of its directors, officers, employees or agents.

The Administration Agreement is governed by the law of Scotland.

8.3 *The Depositary Agreement*

The Depositary Agreement dated 20 December 2019 pursuant to which the Company appointed Northern Trust Global Services SE (acting through its UK branch) as the Company's Depositary for the purposes of the AIFM Directive. Under the terms of the Depositary Agreement, the Depositary performs, *inter alia*, safekeeping, cashflow monitoring and oversight services in accordance with the AIFM Directive.

The annual fee payable to the Depositary is 0.015 per cent. per annum of net assets, subject to a minimum fee of £50,000 (plus VAT is applicable).

The Depositary Agreement will continue until terminated at any time by any party giving the not less than six months' written notice. The Depositary Agreement may also be terminated by notice in writing if any other party commits any material breach of the Depositary

Agreement or on the occurrence of certain insolvency events.

In accordance with the terms of the Depositary Agreement, and subject to the provisions of the AIFM Directive, the Depositary may delegate its safekeeping functions in relation to securities and other assets of the Company. The Depositary must exercise due care, skill and diligence in the selection of a delegate to perform the safekeeping functions in respect of securities and other assets of the Company. The employment of any such delegate shall not relieve the Depositary of its responsibilities or liabilities under the Depositary Agreement. Under the Depositary Agreement, the safekeeping function in respect of the Company's assets has been delegated to the Custodian, The Northern Trust Company.

The Company has agreed to indemnify the Depositary in respect of all assessments, claims or liabilities in connection with the Depositary's performance under the Depositary Agreement other than as a result of the Depositary's negligence, fraud or intentional failure to perform its obligations or negligence, fraud or wilful default of any sub-custodian appointed pursuant to the Depositary Agreement.

The Depositary Agreement is governed by English law.

9. Investment restrictions

9.1 In accordance with the requirements of the FCA, the Company:

9.1.1 will not invest more than 10 per cent. in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed on the premium segment of the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);

9.1.2 will not conduct any trading activity which is significant in the context of the Company as a whole;

9.1.3 will, at all times, invest and manage its assets:

(i) in a way which is consistent with its object of spreading investment risk;
and

(ii) in accordance with its published investment policy.

9.2 As an investment trust, the Company aims to comply with section 1158 of the Tax Act, which imposes on the Company an obligation to spread investment risk.

9.3 In accordance with the requirements of the FCA, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Service.

- 9.4 In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the FCA.
- 9.5 Subject to Board approval, the Company may use derivatives for efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments).

10. Disclosures under the Market Abuse Regulation

The table below sets out a summary of the information disclosed by the Company under the Market Abuse Regulation over the 12 month period preceding the date of this document that is relevant as at the date of this document.

<i>Date</i>	<i>Title of Announcement</i>	<i>Disclosure</i>
8 June 2021	Discount Control Policy Update	The Company disclosed that it was close to exhausting its share issuance authority from Shareholders and the prospectus exemption and noted that it had initiated the preparation of a prospectus.

11. General

- 11.1 There are no governmental, legal or arbitration proceedings (and, in so far as the Company is aware, there are no governmental, legal or arbitration proceedings pending or threatened) which may have, or have had in the previous 12 months, significant effects on the Company's financial position or profitability.
- 11.2 Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with the inclusion therein of its name in the form and context in which they are included.

12. Documents available for inspection

Copies of the following documents are available for inspection at the Company's website, www.capitalgearingtrust.com until 16 June 2022:

- (i) the Articles;
- (ii) the annual reports and accounts of the Company for the two financial years ended 5 April 2021; and
- (iii) this document.

13. Availability of this document

This document is available for inspection at <https://data.fac.org.uk/#/nsm/nationalstoragemechanism> and at the Company's website www.capitalgeatingtrust.com until 16 June 2022.

17 June 2021

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

Administration Agreement	the administration agreement dated 22 July 2015 between the Administrator and the Company (as amended from time to time), further details of which are set out in paragraph 8.2 of Part 6 of this document
Administrator	Juniper Partners Limited (formerly PATAC Limited, as renamed), a company incorporated in Scotland (registered number SC366565), whose registered office is at 28 Walker Street, Edinburgh EH3 7HR
Admission	the admission of any New Shares to the premium segment of the Official List and to trading on the Main Market
AIC	the Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance
AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council
Articles	the articles of association of the Company, as amended from time to time
Auditors	BDO LLP, a limited liability partnership incorporated in England and Wales (registered number OC305127), whose registered office is at 55 Baker Street, London W1U 7EU
Australia	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
Canada	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
Companies Act	the Companies Act 2006, as amended from time to time
Company	Capital Gearing Trust P.l.c., a company incorporated in Northern Ireland (registered number NI005574), whose registered office is at c/o Carson McDowell LLP, Murray House, Murray Street, Belfast BT1 6DN
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001

(SI2001/3755), as amended from time to time

Depository	Northern Trust Global Services SE, a company incorporated in Luxembourg, whose registered office is at 10 Rue Du Chateau d'Eau, Leudelange, Luxembourg, 3364
Depository Agreement	the depository agreement dated 20 December 2019 between the Company, the Investment Manager and the Depository, further details of which are set out in paragraph 8.3 of Part 6 of this document
Directors or Board	the directors of the Company
Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
Documentation Costs	the aggregate costs of, and incidental to, the publication of this document
EEA States	the member states of the European Economic Area
Euroclear	Euroclear UK & Ireland Limited
FCA	the Financial Conduct Authority
FRS	Financial Reporting Standard
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
HMRC	HM Revenue & Customs
Investment Management Agreement	the investment management agreement dated 10 November 2017 between the Company and the Investment Manager (as amended from time to time) further details of which are set out in paragraph 8.1 of Part 6 of this document
Investment Manager or CGAM or CG Asset Management	CG Asset Management Limited, a company incorporated in England and Wales (registered number 04056163), whose registered office is at 25 Moorgate, London EC2R 6AY
ISA	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
Issue	an issue of New Shares at the Issue Price, as described in this document and "Issues" shall be construed accordingly
Issue Price	the price at which New Shares are to be issued under any Issue,

	which will be determined as explained in Part 3 of this document
Japan	Japan, its cities, prefectures, territories and possessions
Listing Rules	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
London Stock Exchange	London Stock Exchange plc
Main Market	the London Stock Exchange's main market for listed securities
MSCI UK Index	MSCI United Kingdom Index (total return)
NAV	net asset value calculated in accordance with the Company's normal accounting policies
NAV per Ordinary Share	the net asset value per Ordinary Share from time to time, calculated in accordance with the Company's normal accounting policies
New Shares	the new Ordinary Shares to be issued pursuant to any Issue
Official List	the official list of the FCA
Ordinary Shares	ordinary shares of 25 pence each in the capital of the Company
Overseas Investor	a person who is not resident in, or who is outside of, or who has a registered address outside, the United Kingdom
PRA	the Prudential Regulation Authority
Prospectus Regulation Rules	the prospectus regulation rules made by the FCA under Part VI of FSMA, as amended from time to time
Registrar	Computershare Investor Services PLC, a company incorporated in England and Wales (registered number 03498808), whose registered office is at The Pavilions, Bridgwater Road, Bristol BS13 8AE
Regulatory Information Service	a regulatory information service that is on the list of regulatory information services maintained by the FCA
RPI	the UK retail price index
SDRT	stamp duty reserve tax
Shareholder	a holder of Ordinary Shares
SIPP	a self-invested personal pension plan

SSAS	a small self-administered pension scheme
Takeover Code	the City Code on Takeovers and Mergers
Tax Act	the Corporation Tax Act 2010, as amended from time to time
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
UK Market Abuse Regulation	the UK version of Regulation (EU) 596/2014, all delegated regulations and implementing regulations made thereunder which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020 and by the Market Abuse (Amendment) (EU Exit) Regulations 2019
UK PRIIPs Regulation	the UK version of EU PRIIPs Regulation (1286/2014), which the UK version of the EU Directive on Alternative Investment Fund Managers and related UK laws (including Commission Delegated Regulation (EU) No 231/2013 which is part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020) forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020)
UK Prospectus Regulation	Regulation (EU) 2017/1129 and any regulatory or implementing technical standards and other delegated or implementing acts adopted under that Regulation, in each case to the extent that they form part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020)
United States or USA	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia