Capital Gearing Trust P.l.c.

Annual Report and Financial Statements

For the year ended 31 March 2023

Company Summary

The Company

Capital Gearing Trust P.l.c (the "Company") is an investment trust and was admitted to the London Stock Exchange in 1973.

Investment objective

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

Capital structure and voting rights

The share capital comprises Ordinary shares of 25 pence each. As at 31 March 2023, 26,258,763 shares were in issue and 321,500 shares were held in treasury. Each Ordinary share has one vote.

Discount/premium control policy ("DCP")

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

Dividends

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

Website

www.capitalgearingtrust.com

Management and administration

Investment management is carried out by CG Asset Management ("CGAM" or the "Investment Manager") for an annual fee of 0.60% of net assets up to £120m, 0.45% on net assets above £120m up to £500m and 0.30% thereafter. CGAM, including Peter Spiller, has managed the Company since 1982.

Company secretarial and various administrative services, including the operation of the DCP, are provided by Juniper Partners. Custodial and depositary services are carried out by The Northern Trust Company.

ISA

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

AGM

The Annual General Meeting ("AGM") of the Company will be held at the Numis Auditorium, 45 Gresham Street, London EC2V 7BF on Wednesday, 5 July 2023 at 11.30 a.m. Further details on the arrangements for the AGM are provided on page 73.

Scan the QR code to register for email alerts regarding Company updates and to notify when voting events arise:

The Association of Investment Companies

The Company is a member of the Association of Investment Companies.

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Information disclaimer

This report has been produced for shareholders of the Company to provide them with information relating to the Company and its financial results for the year under review. This report contains subjective opinion, analysis and forward-looking statements which, by their very nature, involve uncertainty. Past performance is no guarantee of future performance. Investment returns are not guaranteed and you may not get back the amount you originally invested. The Board and its advisers, including CG Asset Management and Juniper Partners, have endeavoured to produce these audited accounts in good faith and in accordance with legislation, regulations, reporting standards and to be useful to all stakeholders in the Company.

Financial Highlights

Highlights

	31 March 2023	31 March 2022
Share price	**4,730.0p**	5,140.0p
NAV per Ordinary share	**4,797.3p**	5,025.1p
Dividend per share	**60p**	46p
Share price discount/premium to NAV	**-1.4%**	2.3%
Shareholders’ funds	**£1,259.7m**	£1,049.8m
Market capitalisation	**£1,242.0m**	£1,073.8m
Ongoing charges ratio[(1)]	**0.46%**	0.52%

Total return performance (to 31 March)

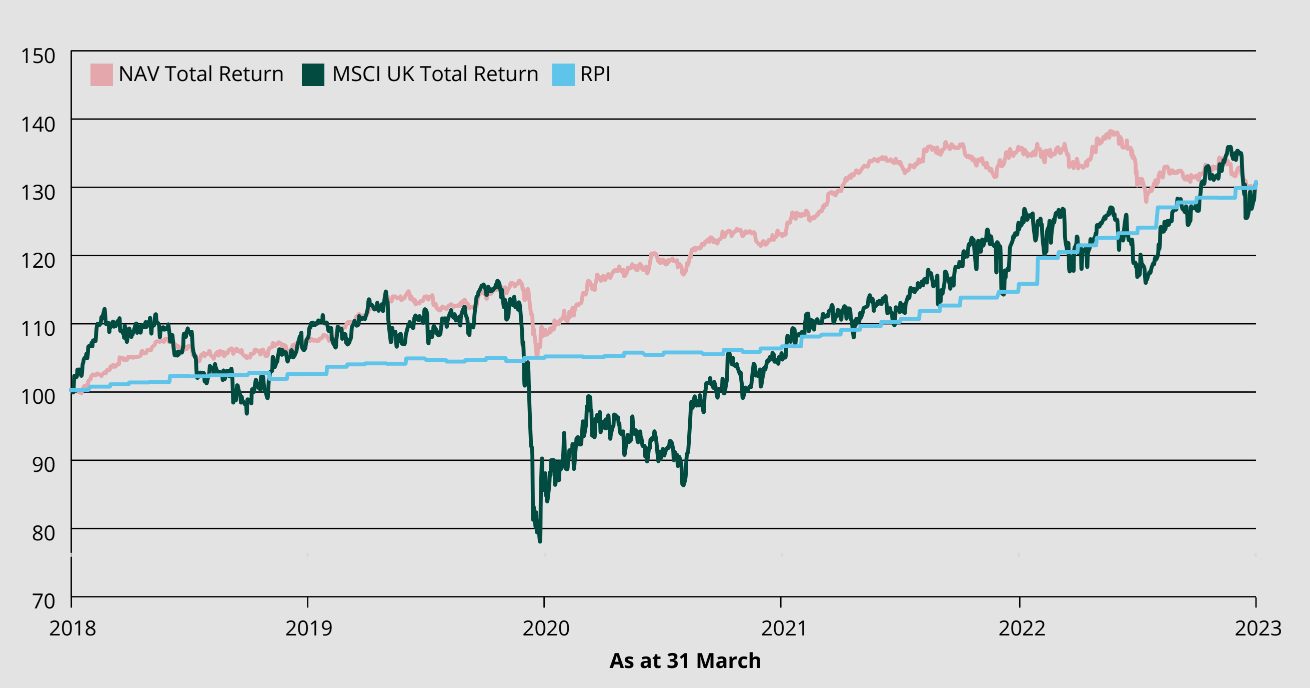
	1 year	3 years	5 years	10 years
Share price total return[(1)]	**-7.1%**	**15.8%**	**26.9%**	**45.9%**
NAV total return[(1)]	**-3.6%**	**20.1%**	**31.6%**	**60.6%**
MSCI UK Index	**5.6%**	**51.0%**	**31.6%**	**72.8%**
Retail Price Index	**13.4%**	**25.5%**	**31.9%**	**47.6%**
Consumer Price Index	**10.1%**	**18.7%**	**22.8%**	**31.4%**

(1) Historical data is contained on pages 78 to 79, and includes total return performance. Please refer to pages 71 to 72 for definitions and a reconciliation of the Alternative Performance Measures to the year-end results.

Performance and Asset Allocation

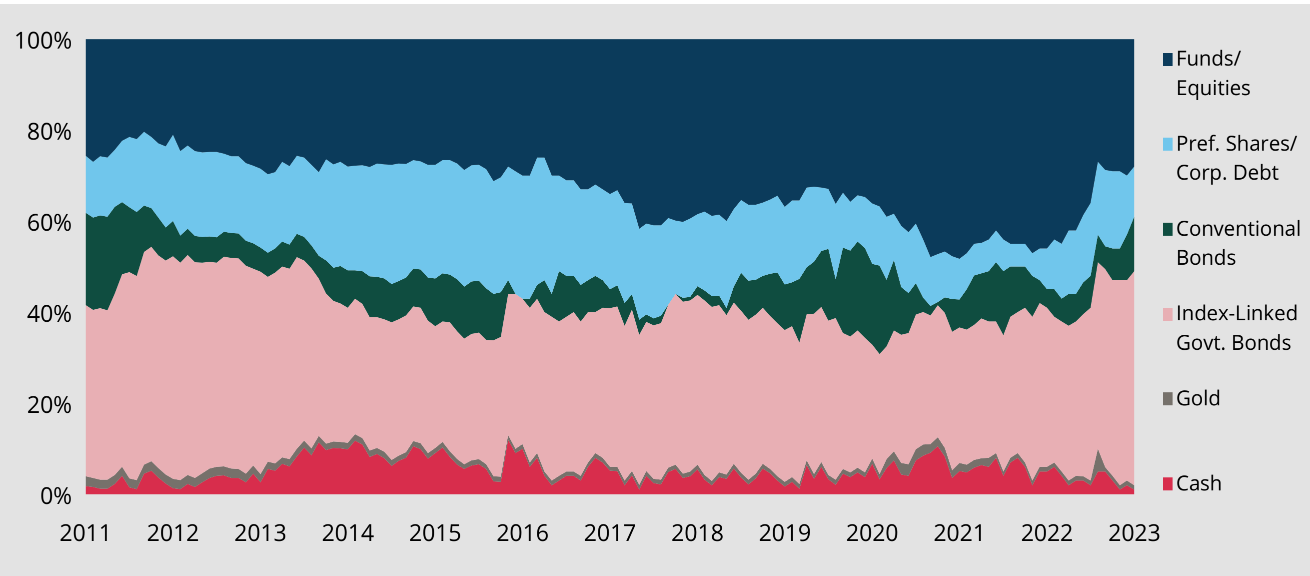
The Company does not have a formal benchmark but uses the MSCI UK Index and the UK Retail Price Index (RPI) as relative measures over the medium to longer term.

Net asset value total return performance over 5 years to 31 March 2023



* Source: CG Asset Management Limited, data rebased to 100 in 2018. Share price total return chart is contained on page 39.

Asset allocation



Chairman's Statement

The past year

This has been a difficult year for traded markets generally and for Capital Gearing Trust. It is only the second year in the last 41 years, when the Company has failed to achieve a positive return. At 31 March 2023, the net asset value (NAV) per share was 4,797.3p, representing a NAV total return over the year of -3.6%. The share price total return over the period was -7.1%, as the shares moved from a modest premium to a small discount to the NAV, ending the year at 4,730p.

Inflation, as measured by the UK Retail Price index (RPI), increased quickly after the start of the Ukraine conflict as rising energy prices and then labour costs took their toll. Central Bank base rates, which have been low for a long period, rose sharply to a current level of 4.50% in the UK and 5.25% in US and this unsettled markets accustomed to a low interest rate environment for more than a decade. RPI rose by 13.4% over the last year, and by comparison equity markets, as represented by the MSCI UK index, rose by 5.6%. Other measures, affecting parts of the portfolio, include the Sterling Bond index which fell over 15% and the FTSE Investment Trust index which fell by 10%. Against the US Dollar, sterling was extraordinarily volatile, initially falling from $1.31 at 31 March 2022 to $1.04 in September before rising steadily to end the year at $1.23. In essence, the Company has not been immune from extraordinary uncertainty affecting all corners of the market.

One of the key objectives of the Company is to preserve shareholders' wealth by limiting the downside from the portfolio. In a year with a synchronised bond and equity bear market, the portfolio loss was restricted to 3.6%.

The Company's secondary objective is to grow shareholders' real wealth over time, and even after a disappointing year, the compound portfolio return over the last five years has been 5.7%, which is in line with inflation.

The Investment Managers have been proved right in their cautious approach over the last year, and have held a low percentage in risk assets, whilst retaining a high proportion in index-linked gilts and corporate bonds, as well as UK short-dated Treasuries. The corporate bond portion was successfully reduced before the latest banking crisis in the US and Europe.

Risk assets accounted for just 26% of the portfolio at 31 March 2023. Property investments were reduced as the year progressed, but rising interest rates and substantial discounts emerging across the property sector midway through the year, resulted in negative returns, which did little to help the Company's performance. By contrast, the corporate bond portfolio made a positive contribution, which far exceeded bond market returns. Index-linked gilts also performed well. As the year progressed, the Investment Managers reduced US TIPS in favour of UK index-linked ("I/L") gilts. At 31 March 2023, 21% of the portfolio was invested in UK I/L gilts with an average duration of 4 years, and 20% in US TIPS with a duration of 9½ years, reflecting the value that each represents.

Earnings and dividends

With increased bond exposure and higher interest rates, the income account has been strong this year. The revenue return per share, after tax and expenses, for the financial year was 70.67p, an increase of 24.4% on last year. The Company currently pays out one dividend per year, which is proposed as 60p per share. It will be payable on 10 July 2023 for those on the share register as at 2 June 2023, subject to approval at the forthcoming AGM.

The Company's portfolio is not managed with any income criteria, or distribution level, in mind. What the Company receives in dividends and interest is the outcome of the application of the investment policy, and the distribution to shareholders is in line with meeting the income distribution test to maintain investment trust status. However, given the bond component of the portfolio and the significant increase in bond income being projected, the income may be higher again next year.

Performance comparison review

The Company does not have a formal benchmark, but over the years it has compared its performance over the medium to longer term against two principal measures, RPI and the MSCI UK index. Following some helpful comments from shareholders, the Board has commenced a review of these performance comparators. For example, RPI is increasingly being replaced by the Consumer Price Index ("CPI") as a measure of inflation. Dependent on the outcome of that review, changes to the current performance comparators may be made during the coming year.

Chairman's Statement *(continued)*

Costs

As the Company has grown, the Board is pleased to report that the running costs have reduced substantially as a percentage of the Company's net asset value. The key measure of the overall costs is the ongoing charges ratio ("OCR"). This is reported in two ways. The OCR measured solely on the costs of running the Company has reduced from 0.52% last year to 0.46% this year. As disclosed in the Key Information Document ("KID"), when the management costs of the underlying funds into which the Company invests are also taken into account, the OCR has fallen from 0.78% last year to 0.64% this year.

Share issuance and buybacks

The discount control policy ("DCP") continues to operate satisfactorily, and provides liquidity to both buyers and sellers in the market at around NAV. Issuing at a premium and buying back at a discount under the DCP more than compensates for its operational costs and is modestly accretive to NAV. Activity under the DCP added 0.5% to shareholder total returns over the last financial year.

Up to December 2022, the Company issued 5,688,288 shares raising some £288 million, but more recently the Company has bought back around 321,500 shares at a cost of £15 million, resulting in net issuance of 5,366,788, with a net value of £272 million for the year, after costs.

Board matters

We operate with a relatively small board with each experienced member closely engaged in oversight of the Company's activities. In September 2022, we engaged an external advisory firm, Lintstock, to undertake an independent review of Board performance. The result of the review was very satisfactory but, as was already in train, the report drew attention to the need to plan for Board succession.

Robin Archibald, the current Audit Chairman and SID, will have served nine years on the Board in mid 2024. The Board have therefore sought to identify a candidate who would assume the role of Audit Chairman on Robin's retirement and aims to manage this transition over the forthcoming year.

Following a thorough recruitment search the Directors are pleased to announce that Ravi Anand has accepted the Board's invitation to join the Board with effect from 1 August 2023.

We are fortunate to have identified Ravi who is a highly experienced corporate financier and qualified as a chartered accountant and has been involved in financial services and with investment companies for much of his career.

Following Ravi's proposed appointment, the Board will have a complement of five Directors and will be in compliance with the recommendations of the Listing Rules and the Parker Review on diversity in the UK boardroom. It will also continue to be compliant with the FTSE Women Leaders Review.

Although I only stepped up to acting as Chairman in July 2020, I will also have completed nine years on the Board in 2024. Following discussion with my Board colleagues, and to avoid two long standing Directors departing at the same time, as well as achieving better board rotation, it has been agreed that I should remain on the Board for a further period of one or two years beyond 2024 to enable a further Board member to be recruited and an orderly handover to a new Chairman.

Annual General Meeting

The AGM will be held on Wednesday 5 July 2023 at 11.30am. The Notice convening the sixtieth AGM of the Company is set out on pages 73 to 74. The Managers will give a presentation at the AGM and we welcome all shareholders to attend in person. The AGM will be held at the Numis Auditorium, 45 Gresham Street, London EC2V 7BF.

Further details on the resolutions can be found on pages 28 and 29 of the Directors' Report.

The Board firmly believes that all the resolutions being proposed are in the best interests of the Company and its shareholders and encourages shareholders to vote by proxy in favour of the resolutions, as the Board intends to do in respect of their own shareholdings. We would encourage shareholders to return their votes by electronic proxy, including by instructing their platform providers to vote on their behalf if their shares as held through platform nominees.

Chairman's Statement *(continued)*

Outlook

There is a sense that the interest rate cycle is returning to normal, after more than a decade of virtually zero rates. The recent rise in rates has failed to quell inflation, which has led to large wage rise demands as people struggle to offset the increase in the cost of living. Our Investment Manager believes that the headline inflation rate will subside in the near term, assisted by anniversary effects. They believe however, that inflation will remain persistent as wage demands continue to build until the unemployment level rises materially.

The policy response from governments and central banks has been somewhat confused, with tighter policy affecting real incomes, but fiscal policy remaining stimulative. This makes economic growth difficult to predict and it is considered likely that there will be a recession at some point. As the stock of government debt continues to grow, public debt to GDP has fallen slightly, aided by the elevated levels of inflation that the economy has experienced over the past year.

Markets remain fragile and unpredictable. History suggests that, in times of low interest rates, the misallocation of capital becomes prevalent. It may take a while before this becomes apparent, but we welcome the return to a more rational interest rate environment. The recent demise of Silicon Valley Bank (SVB) has exposed bank's tier one capital as being less robust after their assets are marked to market on the back of higher interest rates.

There is some value emerging in markets, but it is someway off a really attractive entry level. This being so, our Investment Manager remains cautious and is keen to steward shareholders' funds wisely by retaining a defensive stance until the outlook becomes clearer, and value is noticeably more attractive. They have navigated their way through difficult markets before now and the Board has confidence that they can do so again. The Board is also keen to see the Company revert to achieving positive returns for shareholders, even if these are unlikely to offset the higher levels of inflation in the near term. There will be a time, hopefully in the not too distant future, when we can send a more optimistic message.

Jean Matterson
Chairman

23 May 2023

Investment Manager's Report

Review

Your Company delivered an NAV total return of -3.6% for the year, the worst result in the 41 years since we began managing it and only the second time that the Company has had a negative return. Clearly it has been a disappointing period.

The year was characterised by surging inflation and surging interest rates. The inflation was the all too predictable result of monetary and fiscal authorities' response to the Covid pandemic: huge expansion of the monetary supply and large scale fiscal support (in particular, direct transfers to consumers). These actions to stimulate demand were set against constrained supply of goods and services, due to disrupted supply chains and a service economy that had been put into suspended animation for the duration of the pandemic. This inflationary dynamic was made very much worse by Russia's invasion of Ukraine.

It is hard to overstate the significance of the change in interest rates. No part of our portfolio was untouched. At the start of the year the Company's UK treasury bill portfolio yielded 0.5%, at the end it was 4.2%. Similarly, the credit portfolio rose in yield from 2.3% to 6.2% and the US TIPS portfolio from -0.9% to 1.4%. Rising yields means falling prices and this created a headwind for the portfolio. In that context it was satisfying that the bond portfolio delivered positive returns during the year especially when compared, as the Chairman notes in her report, to the returns from the sterling aggregate bond index of -15%. We believe that central banks are close to the end of the rate hiking cycle and so what has been a headwind to performance will become, at a minimum, neutral and perhaps an outright tailwind. In the meantime, the portfolio enjoys much higher running yields.

The repricing of government bonds was most dramatic in the UK, culminating in the debacle of the brief Truss/Kwarteng administration. As better values emerged we doubled the exposure to UK index-linked gilts, increasing the overall exposure to index-linked bonds from 35% at the start of the year to 46% at the end.

Ironically, it has been outside our bond holdings that the effect of the change in interest rates has been most acute. In recent years, confronted with a sterling government bond market which we judged uninvestable, we replaced it with a modest allocation to alternatives (property, infrastructure, etc.) judging that their high spreads to government bonds, combined with the index-linked nature of their cashflows, would deliver satisfactory returns even in a rising rate environment. We got this wrong. Indeed losses from our property holdings were responsible for the entire loss the Company experienced in the year. In response, the Company's weighting to property was reduced from 16.5% to 4% by year end. We judge the prospective returns from the remaining holdings to be excellent, if volatile.

Outside of alternatives, our equities performed well returning 6% over the year with particularly strong performances from our overweights to the UK (15% return), Japan (6%) and Energy stocks (10%). Our allocation to renewable infrastructure was helpful, returning 7% over the year, and would have been higher were it not for the UK government's capricious and misguided windfall tax.

Currency movements in the year were generally favourable with Sterling depreciating against the Euro and US Dollar. During the brief Truss administration, Sterling fell precipitously and we took the opportunity to sell Dollars. With hindsight we should have sold more. Over the course of the year, we increased the Company's exposure to the Japanese Yen to around 9% across equities, Japanese index-linked bonds and treasury bills. The Yen is extraordinarily cheap compared to the US Dollar and could prove to be a valuable safe haven. In light of Sterling's depreciation the overall exposure to overseas currencies reduced slightly during the year to around 48%.

Outlook

The last 15 years have been characterised by low inflation and weak aggregate demand. This environment favoured speculation over investment and financial engineering over productivity improvements. The result has been depressingly familiar: a gross misallocation of capital, economic sclerosis, rising inequality and rising economic fragility. The central bank response – ever more extreme monetary policy – was iatrogenic. It didn't fix the demand problem and contributed to the speculation and misallocation of capital.

The future is unknowable and any forecast we make can only be one of a wide possibility of outcomes. But, it seems that this era is ending and a new era is upon us. Of course, it is possible that – after a recession – inflation and growth will fall back to their post-GFC trends and central banks revert to their recent playbooks. The balance of probability suggests otherwise. The economic forces that defined the last 15 years are waning and new forces are rising.

Investment Manager's Report *(continued)*

The deflationary impulse from China is receding as wages begin to approach Western levels and, for the first time, Chinese consumption growth exceeds fixed capital formation. Globalisation is in retreat and protectionism on the rise.

War[1] is the ultimate inflationary force. Defence spending is an economic potlatch. In peace it is merely economically unproductive, in war it brings about destruction of capital, to say nothing of death and human misery. Further resources must be diverted to replace the capital that war destroys. Trade is disrupted, sanctions imposed and, when trade resumes, it flows along political not economic lines – by definition at greater cost.

Tackling climate change is inflationary. The explicit aim of divestment is to drive up the cost of fossil fuels by increasing the cost of capital of producers and reducing exploration expenditure. Carbon taxes will add further to their cost. The switch from an energy system based predominantly on hydrocarbons to electricity will be hugely expensive requiring investment not just in renewable energy sources, but upgrades to grid infrastructure and technologies to mitigate intermittency.

Finally it appears that the relationship between capital and labour, and governments and labour, is shifting. In recent years it was commonly held that wage spirals could not occur because of the lack of unionisation. The relationship is probably the other way round: unionisation is a response to inflation, not its primary cause.

Monetary policy is grappling with these macro-trends as well as central banks' own mis-steps during the pandemic: money creation on a truly unprecedented scale. In addition, rising rates have led to, or brought into focus, financial fragility: mark to market losses on bank balance sheets; consumers refinancing large mortgages and highly leveraged businesses rolling their debts at much higher rates.

What makes central banks' jobs even harder is the largess of fiscal authorities even as monetary authorities attempt austerity. The US is the most extreme example: unemployment is at generational lows, inflation is proving persistent and yet the forecast budget deficit this year is 5.3% of GDP. Monetary policy works best when fiscal policy is working with, not against, it. To compensate, monetary policy has to work harder than would otherwise be the case. This increases the likelihood that it will be the financial system that breaks before the economy does. We have already seen several examples in the financial sphere: LDI Pensions, FTX, Silicon Valley Bank and Credit Suisse. It seems unlikely that these will be the last shoes to drop.

Even if we are wrong, and a financial crisis is averted, it seems likely that a recession is on the horizon. One consequence of ructions in the banking market is that credit standards have tightened dramatically, consistent with levels that historically have presaged recession and, with inflation remaining sticky, inflation hawks in central banks on both sides of the Atlantic are in the ascendancy. Global equity markets do not share our analysis and have rallied 8.5% year to date. We are taking the opportunity to reduce our exposure to risk assets and take shelter in treasury bills. Our exposure to index-linked bonds is at record levels. While we sit on the side-lines of equity markets, we take great comfort from the fact that, for the first time in 15 years, we are being paid to wait.

Peter Spiller **Alastair Laing** **Christopher Clothier**

23 May 2023

[1] What follows is a purely economic description of war. It is not intended in anyway to trivialize the horror and suffering arising from Russia's invasion of Ukraine.

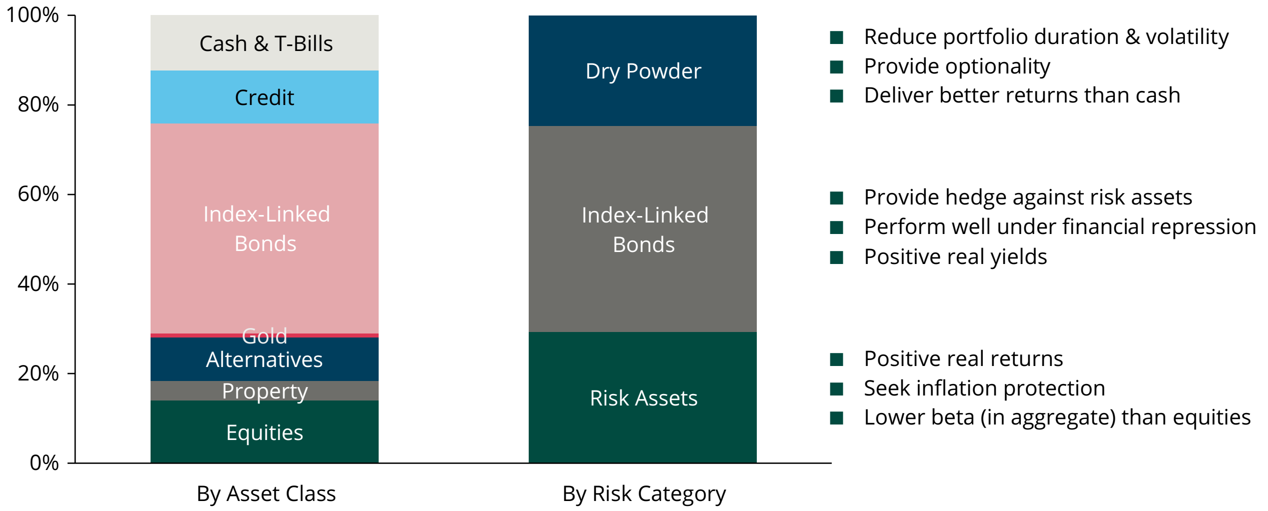
Portfolio Analysis

Asset allocation

	2023	2022
Index-Linked Government Bonds	**46%**	35%
Conventional Government Bonds	**12%**	4%
Preference Shares/Corporate Debt	**14%**	11%
Funds/Equities	**26%**	44%
Cash	**1%**	5%
Gold	**1%**	1%
	100%	100%

In addition to the above table, the asset allocation chart on page 3 shows the change in asset allocation over ten years.

Further analysis as at 31 March 2023



Currency allocation

	2023	2022
Sterling	**52%**	50%
US Dollar	**26%**	25%
Japanese Yen	**9%**	11%
Euro	**5%**	7%
Swedish Krona	**4%**	3%
Other	**4%**	4%
	100%	100%

List of the Largest Portfolio Investments

	2023 £'000	2022 £'000
Index-Linked Government Bonds		
Index-Linked Bonds – United Kingdom	**267,376**	75,146
Index-Linked Bonds – United States	**248,154**	226,600
Index-Linked Bonds – Japan	**29,840**	27,321
Index-Linked Bonds – Canada	**16,693**	–
Index-Linked Bonds – Sweden	**10,997**	26,880
Index-Linked Bonds – Germany	**5,236**	4,900
Index-Linked Bonds – Australia	**4,834**	3,871
	583,130	364,718
Conventional Government Bonds		
Conventional Government Bond – United Kingdom	**95,319**	40,589
Conventional Government Bonds – Japan	**34,978**	–
Conventional Government Bonds – Sweden	**19,304**	–
Conventional Government Bonds – United States	**5,638**	–
	155,239	40,589
Preference Shares/Corporate Debt		
Unite (USAF) 3.374% 2028	**8,691**	3,887
Grainger 3.375% 2028	**7,484**	–
Tesco 3.322% 2025	**5,337**	4,484
Pacific National 5% 2023	**5,159**	–
Akelius Residential Property 2.375% 2025	**5,123**	–
Burford Capital 6.125% 2025	**4,878**	2,779
Western Power 3.875% 2024	**4,801**	–
Dexia Credit 1.625% 2023	**4,499**	–
Burford Capital 5.0% 2026	**4,481**	3,132
Deutsche Pfandbriefbank 7.625% 2025	**4,207**	–
Other Preference Shares/Corporate Debt Investments	**117,127**	99,019
	171,787	113,301
Funds/Equities		
iShares MSCI Japan ESG Screened UCITS ETF	**46,301**	37,753
SPDR MSCI Europe Energy UCITS ETF	**34,236**	18,427
Lyxor STOXX Europe 600 Basic Resources UCITS ETF	**18,670**	10,840
North Atlantic Smaller Companies Investment Trust	**15,335**	16,302
Greencoat UK Wind	**14,815**	13,047
Grainger	**11,327**	20,677
Aker Asa	**8,838**	7,104
iShares S&P 500 Energy Sector UCITS ETF	**7,795**	6,328

List of the Largest Portfolio Investments *(continued)*

	2023 £'000	2022 £'000
Funds/Equities(continued)		
GCP Infrastructure Investments	**7,618**	8,825
International Public Partnerships	**7,558**	–
Other Fund/Equity Investments	**156,104**	320,834
	328,597	460,137
Gold		
Wisdomtree Physical Swiss Gold	**13,048**	13,148
	13,048	13,148
Total Investments	**1,251,801**	991,893
Cash	**13,766**	50,611
Total	**1,265,567**	1,042,504

The full portfolio listing of the Company as at 31 March 2023 is available at www.capitalgearingtrust.com.

The Board

The Board members are all experienced Directors who work closely with Juniper Partners and CGAM in the day to day operations of the Company. Apart from the scheduled Board meetings, the Board is in regular contact on matters arising and all of the Board have demonstrated sufficient commitment and experience to carry out their responsibilities.

Jean Matterson

Independent Non-Executive Director, Chairman

Appointed a Director in May 2015 and assumed the position of Chairman on 3 July 2020. Jean, 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.

Robin Archibald

Independent Non-Executive Director, Chairman of the Audit and Risk Committee and Senior Independent Director

Appointed a Director in May 2015 and as Audit Chair in July 2019. Robin was formerly head of corporate finance and broking at Winterflood Investment Trusts until April 2014, when he retired from his executive roles. 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 currently senior independent director and audit chair of Shires Income plc, chairman of Albion Technology and General VCT plc (retiring in June 2023) and senior independent director and audit chair of Henderson European Focus Trust plc. Robin has also served on the boards of two other investment companies, acting as senior independent director and audit chair of both.

The Board *(continued)*

Wendy Colquhoun

Independent Non-Executive Director and Chairman of the Remuneration Committee

Appointed a Director in January 2021. Until May 2020, Wendy 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, Wendy 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 chairman of Henderson Opportunities Trust plc, a non-executive director of Schroder UK Mid Cap Fund plc and, with effect from 1 September 2023, will be a non-executive director of Murray International Trust plc.

Paul Yates

Independent Non-Executive Director

Appointed a Director in December 2019. Paul is chairman of the advisory board of 33 St James's Limited and is a non-executive director of Fidelity European Trust PLC, where is he also the senior independent director, and Witan Investment Trust PLC, where he is also chairman of the Remuneration Committee. 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.

The Investment Management Team

The Company is managed by CG Asset Management, which is authorised and regulated by the Financial Conduct Authority. The investment team consists of Peter Spiller, Alastair Laing and Christopher Clothier, supported by a team of investment analysts.

Peter Spiller

Founder, CIO, Co-manager

Prior to founding CGAM in 2000, Peter was a partner and strategy director at Cazenove & Co Capital Management and a US equity investor at Capel Cure & Myers. Peter has managed Capital Gearing Trust plc since 1982. Peter studied Politics, Philosophy and Economics at Christ Church, Oxford.

Alastair Laing

CEO, Co-manager

Alastair joined CGAM in 2011 and has co-managed the funds since that date. Alastair joined CGAM from Hg Capital LLP (a pan-European private equity fund) and previously worked with the mergers and acquisitions team at Deloitte LLP. Alastair 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.

Chris Clothier

CFO, Co-manager

Chris joined CGAM in 2015 and has co-managed the funds since that date. 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. Chris studied Chemistry at New College, Oxford.

Strategic Review

Business model and investment strategy

The Company, as an investment trust, is a UK closed-ended public limited company which invests in a diversified portfolio of assets meeting the investment trust tax conditions. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed and are overseen by experienced independent non-executive Directors.

The Company has no employees, and the Board outsources its entire operational infrastructure to third party organisations. In particular, the Board appoints and oversees CG Asset Management, an independent Investment Manager, to manage the investment portfolio. CG Asset Management also acts as the Company's Alternative Investment Fund Manager. The Board sets the Company's strategy, decides the appropriate financial policies to manage the assets of the Company, ensures compliance with tax, legal and regulatory requirements and reports regularly to shareholders on the Company's performance. The Directors do not envisage any change to this model in the foreseeable future. The Company also appoints an Administrator, Juniper Partners to provide administration services for the Company, which includes company secretarial, accounting and management of discount and premium control services.

The Company seeks to preserve shareholders' real wealth and deliver absolute total returns through the construction of a multi asset portfolio with a specialist focus on investment company equities and related securities. Portfolio construction is the key tool 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 closed-ended investment companies with the aim of exploiting inefficiencies to generate risk adjusted returns that are superior to those available in more liquid equity markets.

Objective

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

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% and a minimum of 20%. 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% 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 requires Board approval.

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

Promoting the success of the Company

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial period under section 172 of the Companies Act 2006 (the "Section 172 Statement"). This requires an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long-term consequences of decisions, the need to foster relationships with all stakeholders in the Company and the impact of the Company's operations on the environment.

Strategic Review *(continued)*

Role of the Board

The Board currently comprises four (five with effect from 1 August 2023) independent non-executive Directors who have a broad range of skills and experience across all major functions that affect the Company. The Board has responsibility for decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's various service providers. Gender and diversity disclosures can be found on pages 33 and 34.

The Company's main stakeholders are shareholders, the Investment Manager and its service providers. The Company also engages with its investee companies where appropriate, particularly on performance and corporate governance issues.

How the Board engages with stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Investment Manager's interactions with them.

Stakeholder	How we engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them, both through written communication from the Company and interaction with the Investment Manager. The Board welcomes all shareholders' views and aims to act fairly between shareholders. The Company's shareholder register is retail investor orientated and has wealth managers and private client brokers on it representing private investors. As a constituent of the FTSE-250 Index, the Company also has index tracking investors. The Investment Manager and Company's broker regularly meet with current and prospective shareholders to discuss the Company, its performance and outlook. The Chairman is available to talk directly with shareholders. Shareholder feedback is discussed by the Directors at Board meetings. The Board is kept appraised of changes to the share register and the Investment Manager is in contact with investor platforms to identify how best to communicate with the direct retail investor community. The operation of the DCP is crucial to providing secondary market liquidity for investors and in providing stability of pricing at close to the prevailing net asset value. Last year the Board decided to enhance the quality and clarity of its shareholder communications. In June 2022 the new website was launched, this was soon followed by rebranded factsheets and the Half Yearly Report. The Annual Report is also in a new format and the Board will aim to improve its reporting to shareholders where possible. Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, announcements, including daily net asset value announcements, and the Company's website. The Investment Manager prepares monthly factsheets and quarterly reports and maintains a website which includes current information for investors. The Company's Annual General Meeting typically provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager. The Board encourages as many shareholders as possible to attend the Annual General Meeting and to provide feedback on the Company. The Company Secretary also deals with regular shareholder queries on behalf of the Board. The Board encourages shareholders to vote on all Company business, which includes specific exercises to obtain votes for general meetings to maintain issuance authorities if they become exhausted between annual general meetings.

Strategic Review *(continued)*

Stakeholder	How we engage
Investment Manager	The Investment Manager's Report on pages 7 and 8 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the Company's investment policy, with the oversight of the Board. The Investment Manager is represented and attends all formal Board meetings. The Board reviews regularly the Company's performance against the investment objective and the application of its investment policy and restrictions. The Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy in operation. The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager at least annually. Risks and emerging risks are considered at each Board meeting.
Communities and the environment	The Board supports the Investment Manager on ESG matters in line with good stewardship practices, and an approach agreed with the Board. The Board is also acutely aware of the importance of providing an investment product which meets the needs of its investors in both protecting and growing value over time. The Board takes appropriate account of broader ESG concerns and the need for the Company to act as a good 'corporate citizen'. An investment approach that meets the needs of investors provides a service valuable to the communities in which the Company operates, not least as a means for financial planning and saving. See the ESG/engagement section on pages 21 to 25.
Other service providers	The Board seeks to maintain constructive relationships with all of the Company's suppliers either directly or through the Investment Manager with regular communications and meetings. A key relationship is with Juniper Partners who provide company secretarial, administration and accounting services, as well as operating the DCP. The Board is in continued direct contact with Juniper Partners. The Management Engagement Committee conducts an annual review of the performance and terms and conditions of engagement of the Company's main service providers to ensure they are performing in line with Board expectations and providing value for money.

Specific examples of stakeholder consideration during the year

The Board has always been mindful of its responsibilities to the stakeholders of the Company, and this has been part of both scheduled Board meetings and discussions between these meetings as required.

Jean Matterson, with Paul Yates, met a large shareholder to gather their views on the performance and general operation of the Company, including the DCP. The Board also met with two brokers to ascertain their views on the Company, its performance and views of investors. The Investment Manager also held an Investor Day in November 2022, which was well attended by shareholders and potential investors, as well as by Jean Matterson, representing the Board.

The operation of the DCP is a fundamental part of the Company's operating structure. It offers liquidity in the secondary market close to the prevailing net asset value and the removal of pricing volatility around net asset value either when selling or buying shares in the Company. Ensuring that the DCP continues to operate effectively requires constant monitoring, maintaining the requisite authorities in place, and having sufficient liquidity in the portfolio. The Board, together with Juniper Partners, is responsible for maintaining the operational resilience for both buyback and issuance. During the year, the Company both issued and bought back shares.

The Board has engaged with the industry body, the AIC, on matters which impact on the operations of the Company, which included a meeting with the new chief executive of the AIC.

Management of the portfolio and agents to the Company

The Investment Manager's Report on pages 7 and 8 details the key investment decisions taken during the year ended 31 March 2023. The overall diversified shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective.

As explained in more detail on page 27, during the year, the Management Engagement Committee decided that the continuing appointment of the Investment Manager was in the best interests of shareholders. A similar conclusion was reached on the continued appointment of the Company's other service providers and there were no changes during the year.

Key performance indicators ("KPIs")

The Board monitors KPI indices and ratios for the purpose of assessing and reporting investment performance and these are discussed further in the Chairman's Statement. The Board monitors the performance of the Investment Manager against RPI over the short-term (3 years) and the MSCI UK Index over the longer-term (10 years). Further information on these measures can be found on pages 71 and 72. As referred to in the Chairman's Statement, the Board is considering the appropriateness of these performance comparator measures.

Tables and graphs showing the performance of the Company's NAV per share compared with RPI and the MSCI UK Index are shown on pages 2 and 3.

In addition, the Board monitors the following KPIs:

- Share price discount/premium to NAV, an important measure of demand for the Company's shares and a key indicator of the need for shares to be bought back or issued. At the start of the year under review the premium to NAV was 2.3%, compared with a discount of -1.4% at 31 March 2023, with an average premium of 1.5% for the year ended 31 March 2023; and
- Ongoing charges ratio ("OCR"), calculated using the methodology recommended by the Association of Investment Companies which enables the Board to measure and monitor the control of costs. This was 0.46% for the year to 31 March 2023 (2022: 0.52%). Since the introduction of the DCP in 2015 the Companies OCR has fallen by 52% from 0.96% to 0.46%. Further information can be found on page 72.

Principal and emerging risks

The world has been subject to the most extraordinary challenges since 2020. It is impossible to quantify the extent of damage that may be wrought over the longer term and the emerging risks that will be faced for the Company, not least the economic impact. Ever since the emergence of covid in early 2020, the Company has been subject to significant economic headwinds, such as substantial market movements, inflationary pressures and increasing interest rates. All of which make preserving shareholders' real wealth, far less growing it, challenging. The central aims remain to preserve value in the Company's portfolio and liquidity in the Company's shares.

Strategic Review *(continued)*

The Directors try to ensure that the Company maintains its investment strategy, has operational resilience, meets its regulatory requirements as an investment trust and navigates the financial and economic circumstances in these uncertain times.

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties facing the Company, together with the mitigating actions the Board takes, are set out in the table below.

The Company faces heightened risks of rising inflation and geopolitical risks of events such as the invasion of Ukraine. It is difficult to assess how these exogenous risks will impact the Company, but they do introduce caution on returns that might be achieved in the future given the inflationary impact on equity and bond returns and the risk of market shocks caused by geopolitical risk. The Investment Manager continues to apply protective measures in constructing the portfolio but is also aware that an 'oversold market' can present opportunities as well and it retains liquidity in the portfolio to exploit these if it can.

Risk	Mitigation
Investment strategy and performance The Board is responsible for setting the investment strategy of the Company and monitoring investment performance. Inappropriate strategy and/or poor investment performance may have an adverse effect on shareholder returns. There is increasing awareness of the challenges and emerging risks posed by climate change. The investment process considers ESG factors, as set out in the Strategic Review. Overall the specific potential effects of climate change are difficult, if not impossible, to predict and the Board and Investment Manager will continue to monitor developments in this area. Geopolitical risk has always been part of the investment process. The risk has heightened as a result of the Russian invasion of Ukraine, with the resultant effects on global trade, higher levels of inflation, rising interest rates, and volatility in stockmarkets. Inflation and rising interest rates have had and will continue to have a significant impact on the Company and its investment portfolio. **Increased overall risk due to rising inflation, higher interest rates, supply issues and ongoing global political tensions and the impact of increased interest rates.**	The Company's strategy is formally reviewed by the Board at least annually, considering investment performance, shareholder views, developments in the marketplace and the structure of the Company. Investment performance is reviewed by the Board on a regular basis against RPI and the MSCI UK Index. The composition of the portfolio is provided at each Board meeting and allows the monitoring of the spread of investments and associated investment risks. The Investment Manager's approach to ESG is set out on pages 21 to 25. The Company has limited direct impact on the environment as it invests primarily in government bonds and closed ended and other collective investment vehicles. Stock selection, portfolio composition and liquidity are explained in detail by the Investment Manager at each meeting. The Investment Manager is formally appraised at least annually by the Management Engagement Committee.

Strategic Review *(continued)*

Risk	Mitigation
Premium/discount level The Company's share price could be impacted by a range of factors causing it to be higher than (at a premium to) or lower than (at a discount to) the underlying NAV per share. Excessive demand for, or supply of, shares can create liquidity issues, restricting the ability of investors to buy and sell shares in the secondary market. Fluctuations in the share price can cause volatility which may not be reflective of the underlying investment portfolio. **Risk remains relatively unchanged**	The Company operates a discount/premium control policy, under which it will aim to purchase or issue shares to ensure, in normal market conditions, that the shares trade close to their underlying NAV per share. The DCP increases liquidity and reduces volatility by preventing the build-up of excessive demand and/or supply for the Company's shares which, the Board believes, is in the best interests of shareholders. The DCP continues to be reviewed to ensure liquidity for issuance and buyback. The levels of issuance/buyback of shares are reported to the Board on an ongoing basis and at each Board meeting the Board considers the Investment Manager's ability to invest new proceeds (in the case of issuance) and maintain sufficient liquidity (in the case of buybacks) to meet the demands of the DCP. During the past year, there has been significant share issuance, however in the latter part of the year the Company has bought back shares. The Company Secretary monitors the relevant authority levels, which are regularly reported to the Board, to maintain, as far as possible, uninterrupted operation of the DCP.
Operational The Company is reliant on third-party service providers including CGAM as Investment Manager, Juniper Partners as Company Secretary and administrator and Northern Trust as custodian and key teams at such service providers. Failure of the internal control systems of these third parties could result in inaccurate information being reported or risk to the Company's assets. **Risk remains relatively unchanged**	The Audit and Risk Committee formally reviews each service provider at least annually, considering their reports on internal controls, information security, and the resources available to them. The Management Engagement Committee reviews the service levels and how the service providers have performed. The operational requirements of the Company from its service providers are subject to rigorous testing including the use of office/home working and online communication. Additionally, the Investment Manager's and Administrator's technology environments are continually maintained and subject to regular testing, vulnerability scans and patch management. To date the operational arrangements have proven robust. Further details of the Company's internal control and risk management system is provided on pages 34 and 35.
Regulatory and governance The Company operates in a regulatory environment. Failure to comply with section 1158 of the Corporation Tax Act 2010 could result in the Company losing investment trust status and being subject to tax on capital gains. Failure to comply with other regulations could result in financial penalties or the suspension of the Company's listing on the London Stock Exchange. **Risk remains relatively unchanged**	Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Investment Manager who report regularly to the Board. The Board also takes into account increasing governance requirements and complies with them wherever practical or explains why there is any divergence. The Board monitors changes in the regulatory environment and receives regulatory updates from the Investment Manager, Company Secretary, lawyers and auditors as relevant. The Board is appraised of corporate governance issues and changes and as far as practical the Company complies with governance guidance or explains where it does not and meets the guidance of the AIC Code (refer to page 31).

Strategic Review *(continued)*

Risk	Mitigation
Financial and economic The Company's investments are impacted by financial and economic factors including market prices, interest rates, foreign exchange rates and credit which could cause losses to the investment portfolio. **Risk has been heightened by inflationary and interest rate increases and geopolitical events, including the invasion of Ukraine**	The Board regularly reviews and monitors the management of market risk, interest rate risk, foreign currency risk and credit risk. These are explained in detail in note 14 to the financial statements on pages 64 to 70. Inflation, and geopolitical risks, are considered a component of market risk, with the impact of higher inflation and interest rates and events in Ukraine taken into account. The Company has sufficient cash resources and liquidity in its portfolio to meet its operating requirements, including the operation of DCP. In common with most commercial operations, there are always exogenous risks and consequences, which are difficult to predict and plan for in advance. The Company does what it can to address these risks when they emerge, not least operationally and in trying to meet its investment objective.

Share issuance and buybacks

During the year the Company issued 5,688,288 new shares for an aggregate consideration of £287.2m. The Company also bought back 321,500 shares for an aggregate consideration of £15.3m. Shares were issued at a premium or bought back at a discount to the NAV thereby covering the costs of the DCP, associated portfolio transaction costs and to provide some accretion to the NAV per share. All shares were issued/bought back in accordance with the DCP, which is detailed further on page 20. Since the year end, the Company has bought back a further 223,000 shares.

ESG and the investment process

In 2023, the Investment Manager applied to become signatories to the UK Stewardship Code. The Company aims to conduct itself responsibly, ethically and fairly and has sought to ensure that the Investment Manager's management of the portfolio of investments takes account of environmental, social and governance ("ESG") matters where appropriate.

The Company has limited direct impact on the environment as it invests primarily in government bonds and closed-ended and other collective investment vehicles. The investment sectors chosen do not generally raise ethical issues. The majority of the Company's assets are bonds issued by governments of countries which have, in the opinion of the Investment Manager, robust social institutions and good credit quality. These judgements are based on both qualitative and quantitative factors. Qualitative factors include respect for the rights of individuals and of property, free speech, lack of corruption, transparency and freedom of the press.

The balance of the investment portfolio comprises corporate bonds, preference shares and equity funds. Within these asset classes the Investment Manager does not directly invest into companies in the tobacco, defence or gambling sectors. However, through broad holdings of collective equity funds, there will be small indirect holdings of companies that operate in these sectors. These holdings are not considered to be material in the context of overall assets managed.

The Board monitors, through the Investment Manager, and is satisfied with, the underlying investee companies' policies to act with due regard to community, welfare and environmental factors. The Investment Manager is a signatory to UN Principles of Responsible Investing. Further information on the Investment Manager's governance and policies can be found at www.cgasset.com/governance-and-policies.

In meeting its responsibilities to its own shareholders, the Company aims to preserve value in its portfolio and liquidity in its shares. The Board is mindful of all of its stakeholders, including the employees of the agents who provide services to the Company and is operating to protect those interests.

Strategic Review *(continued)*

The Investment Manager's investment approach to ESG

1	**Be honest** No greenwashing, no PR-lead initiatives, no jargon. CGAM believes stakeholders are best served by an accurate presentation of their activities rather than a marketing campaign dressed up in the language of stewardship.
2	**One firm, one rule** CGAM do not have an ethical fund range (and by implication an unethical fund range). CGAM's standards apply to all the funds they advise.
3	**Ethics, not mathematics** Securing appropriate data is essential to all aspects of investment decision making, including judgements around sustainability. However data has to be interpreted within a specific context. There is no formula that can be applied in a uniform way to every situation; CGAM emphasise judgement over simplistic third party quantitative scoring.
4	**Engagement over disinvestment** When investors have the influence to effect change it is most valuable to encourage positive transition rather than pursuing disinvestment.
5	**Targeted, not scatter-shot** Whilst supporting positive transition might be the optimal strategy, effective engagement is time consuming. As a small firm CGAM must focus their efforts where they will have the most impact rather than taking a generalist approach.
6	**Driven by governance** Improved governance leads to improved social, environmental and financial outcomes. Investors have multiple direct mechanisms to influence governance, so our engagement activities invariably focus on governance, even when the ultimate objective is positive social or environmental change.
7	**Integration, not separation** CGAM are a small firm and the entire team is collectively responsible for the stewardship activities with the ultimate responsibility lying with the chief executive. CGAM do not have a standalone Responsible Investment Team or ESG analysts as this does not seem to us to represent true integration.

Strategic prioritisation

A majority of the assets held are securities issued by governments such as bonds, bills and currency. As well as government securities, there are a minority of assets held in securities issued by corporations, typically collective investment vehicles such as investment trusts, real estate investment trusts or ETFs.

Strategic Review *(continued)*

Different asset classes lend themselves to different stewardship approaches based on data quality and the potential for CGAM to effectively engage and influence the issuer. As a small firm it is essential that CGAM focus their resources strategically, targeting their engagement activities where they have most influence.

This means they focus their most intense efforts on those corporate issuers in those market segments where they have a long history of engagement and know many of the participants. This means focusing primarily on listed closed ended funds and listed property companies.

Where CGAM does not have influence, they are more likely to pursue exclusions. In their assessment, exclusions are a less effective and productive form of stewardship but it makes no sense to expend significant resources on engaging in areas they are less likely to impact. These areas include those where the Company has relatively small holdings (such as corporate credit) or limited ability influence (such as government bonds).

	ESG Data Quality	Potential for Engagement	Exclusions	Engagement	Priority Focus
Gov't Bonds and Cash	High	Low	x		◎
Corporate Credit	Low	Med	x	✓	
Preference Shares	Low	Med	x	✓	
Listed Property	Med	High		✓	◎
Listed closed ended funds	Low	High		✓	◎
ETF's	Med	Low	x		

CGAM's ESG approach to the Company's investments by asset class

1. Direct government securities

A significant proportion of the assets held by the Company are invested in direct holdings of securities issued by governments including bonds, bills and cash. As CGAM's capacity to influence governments is extremely limited, its primary approach is to exclude sovereigns that do not maintain high ESG standards. In order to help assess these criteria, CGAM considers indices compiled by a range of Non-Governmental Organisations (refer to the table below) and requires sovereigns, at a minimum, to achieve strong rankings in at least four out of five of these criteria. In addition to using third party indices, CGAM also overlays its own subjective assessments, which typically leads to additional exclusions.

Index	Criteria
World Bank governance effectiveness index	Top quartile
World press freedom index	Good or satisfactory
Global freedom score	Free rating
UN Human development index	Very high human development rank
Net zero by 2050 statement	Statement of intent by 2050 or earlier

2. Direct corporate credit and preference shares

The Company holds small quantities of direct credit and preference share holdings issued by corporate issuers. Given CGAM's small participation in the market and therefore limited influence, CGAM's primary approach is to exclude corporate issuers who are primarily engaged in the following activities:

Exclusion area	Exclusion sub-area	Threshold
Controversial weapons	Anti-personnel mines, cluster munitions, chemical weapons	0%
Tobacco	Manufacture or marketing	<5%
Thermal Coal	Coal mining or coal-based energy production	<5%
Oil sands or arctic drilling	Production	<5%
Gambling	Services	<5%
Adult entertainment	Production or broadcasting	<5%
Firearms	Manufacture	<5%
Predatory lending	Services	<5%

CGAM does not invest directly in companies with primary activities in the above areas, although it cannot always identify immaterial non-core activities. As a result, CGAM employs a revenue threshold in certain areas.

3. Listed closed-ended funds including, investment trusts, REITs and property companies

CGAM has a long history of active engagement in the London market for listed closed ended funds and other collective investment companies including REITs. In this priority area for engagement, CGAM seeks to achieve positive transition so does not employ systematic exclusions. Listed investment companies are fundamentally different to operating companies and typically have the following features:

- they hold a broad portfolio of securities on behalf of their shareholders;
- external investment managers, rather than executive management teams;
- no employees or customers; and
- have a board of directors to represent shareholder interests and concerns.

Given the prominent role that directors play in investment companies, CGAM frequently undertakes activities that aim to influence boards and ultimately improve governance. The techniques employed vary based on the specific scenario but include those listed in the table below. As well as engagement in the sector, CGAM places particular weight on providing primary capital to high impact investment companies with an environmental or social focus. In its assessment, by providing primary capital, via IPO sponsorship or follow-on fund raisings, investors have a greater impact than by simply trading securities in the secondary market.

Activist engagement technique	Frequency of employment
Management engagement	Continuous
Board engagement	Continuous
Shareholder co-ordination	Frequent
Voting against significant resolutions	Frequent
Raising ESG matters in fund reporting	Frequent
Amplification through press engagement	Periodic
Replacing directors to improve governance	Periodic
Publishing open letters	Periodic
Publishing research incorporating ESG views	Periodic
Threatening to requisition meetings	Periodic

Strategic Review *(continued)*

4. Exchange traded funds ('ETFs')

The Company holds exchange traded funds. ETFs are listed collective funds which typically track an index and provide low cost, efficient access to a broad portfolio of securities. CGAM does engage directly with its approved panel of ETF providers to encourage improved stewardship standards. Typically, this is via ESG screened ETFs which is a dynamic and growing sector. The programme of identifying and conducting due diligence on these products is ongoing.

Going concern

The Audit and Risk Committee has undertaken an assessment of whether the Company is a going concern. The Company's investment objective and business activities, together with the main factors likely to affect its future development and performance, including prevailing macro-economic conditions, are described above.

The financial position of the Company, including its cash flows and liquidity positions, is set out in detail in the financial statements. Note 14 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to market price, interest rates, foreign currency, credit and liquidity risk. The Board works closely with the Investment Manager and the Company Secretary to ensure that the Company's operations are resilient, and its portfolio robust enough to meet challenges and opportunities.

The Directors also take into account the liquidity of the portfolio and scenario stress testing when considering the viability of the Company and its ability to meet liabilities as they fall due and to fulfil the ongoing operation of the DCP. The stress tests examined downside scenarios which combined a substantial fall in stockmarkets, and therefore asset values, with a considerable loss of income. The impact of such severe scenarios are then mitigated by a significant reduction in management fees and most expenses. The results of the stress testing indicated that there was sufficient portfolio liquidity and net income for the Company to continue in operation. The stress tests also examined the operation of the DCP in the event of the Company having to buy back a substantial number of shares.

The Directors believe that the Company is well placed to manage its business risks successfully and consider that the Company currently has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence, including meeting the provisions of the DCP. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements. The Directors do not consider that there are any material uncertainties to the Company's ability to continue to adopt this approach over a period of 12 months from the date of approval of these financial statements.

Viability statement

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a matrix of the risks facing the Company and has put in place appropriate processes and controls in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to manage these, are detailed on pages 19 and 21.

The Company is a long-term investor and the Board believes it is appropriate to assess the Company's viability over a three-year period in recognition of the Investment Manager's long-term horizon and also what the Directors believe to be investors' horizons, taking account of the Company's current position and the potential impact of the principal risks and uncertainties, the operation of the DCP and the circumstances of investment companies more generally.

As mentioned under the going concern paragraph above, the Directors also take into account the liquidity of the portfolio and scenario stress testing when considering the viability of the Company. The results of the stress testing indicated there was sufficient portfolio liquidity and net income for the Company to continue in operation for at least three years.

The Directors do not expect there to be any significant change in the principal risks that have been identified and the adequacy of the controls in place. Also, the Directors do not envisage any change in the Company's strategy or its objective or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Directors believe that only a dramatic downturn in financial markets, deteriorating economic circumstances, or other crises besetting global markets, could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The Board's Strategic Report contained on pages 4 to 25 have been approved by the Board and signed on its behalf by:

Jean Matterson
Chairman

23 May 2023

Directors' Report

The Directors present their report and financial statements of Capital Gearing Trust P.l.c. for the year ended 31 March 2023.

Company status

The Company is an investment company as defined by section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 (the "CT Act"). This legislation provides conditions that the Company must meet in respect of each accounting period. The Company will continue to conduct its affairs as an investment trust. The Company does not fall within the definition of a 'close company' under the CT Act.

Revenue and dividend

The net revenue return attributable to shareholders for the financial year to 31 March 2023 was £17,606,000 (period to 31 March 2022: £9,813,000).

The Company does not aim to invest for income to support any target dividend payment or target yield, and dividend payments are affected by the requirement to distribute a certain level of income to maintain investment trust status. The Company is generating substantially more income than it has in the past, both through its growth in assets and from higher interest from bonds and other fixed interest securities.

The Board recommends the payment of a dividend of 60p per share for the year ended 31 March 2023, (2022: 46p) for approval by shareholders at the forthcoming Annual General Meeting. The dividend will be payable on 10 July 2023 to shareholders on the register of members on 2 June 2023, the associated ex-dividend date being 1 June 2023. Under FRS 102, final dividends should not be accrued in the financial statements unless they are approved by shareholders before the balance sheet date. As such, the amount recognised in the 2023 financial statements comprises the 2022 final dividend.

Net asset value per share

The net asset value per share of the Company as at 31 March 2023 was 4,797.3p, compared with 5,025.1p as at 31 March 2022.

The financial position of the Company is set out in detail in the financial statements. Note 14 to the financial statements describes the Company's processes for managing its capital, its financial risk management objectives, details of its financial investments and its exposure to market price, interest rates, foreign currency, credit and liquidity risk.

Share capital

The Company's share capital comprises Ordinary shares of 25p each nominal value. The voting rights of the shares on a poll are one vote for each share held. As at 31 March 2023, 26,258,763 shares were in issue (31 March 2022: 20,891,975) and 321,500 shares were held in treasury (31 March 2022: nil).

As at 22 May 2023, the latest practicable date prior to the publication of this report, the issued share capital consisted of 26,035,763 shares and 544,500 shares were held in treasury. Whilst shares are held in treasury, no dividends are paid on them and they have no voting rights.

Substantial shareholders

At 31 March 2023, the Board received notifications of the following interest in the voting rights of the Company:

Notified interests	% of Issued share capital held
LGT Group	7.1%
JM Finn & Co	4.6%

Since 31 March 2023 to the date of this report, the Company has not been informed of any changes. In addition to the above, as at 31 March 2023, directors and employees of CGAM were interested in shares representing 1.7% of the issued share capital.

Management and contracts

Investment Manager

The Company's investments are managed by CG Asset Management under an agreement dated 10 November 2017. Under this agreement, CGAM receives an annual investment management fee of 0.60% of the net assets of the Company up to £120m, 0.45% of net assets above £120m up to £500m, and 0.30% thereafter, based on quarterly valuations and payable quarterly in arrears. The agreement is terminable on six months' notice, and in the event of termination otherwise than at the end of a quarter, the Company is obliged to pay to CGAM a due proportion of the fee for the period ended on the termination of the agreement, calculated by reference to the net assets of the Company as at the date of termination. No other compensation would arise in the event of termination.

CGAM was appointed as the Company's AIFM in November 2017.

Directors' Report *(continued)*

The Investment Manager operates under the investment policy and guidelines drawn up by the Board as detailed on page 15. Any proposed deviation from these guidelines is required to be discussed with and agreed by the Board or by the Chairman where authority is required between Board meetings. In addition, the Investment Manager presents a report at each Board meeting detailing compliance with the policy during the preceding quarter and outlining any instances where approval for investment decisions was sought from either the Board or the Chairman.

The Investment Manager also provides marketing and investor relation services under the investment management agreement.

Performance, evaluation and the continuing appointment of the Investment Manager

The Directors held detailed reviews into the investment strategy adopted by the Investment Manager at the Committee meeting on 11 May 2023. The performance of the Investment Manager during the year to 31 March 2023 and the contractual arrangements with the Investment Manager were discussed at this meeting. The Investment Manager was not present during the course of the Board discussions.

In reviewing the Investment Manager's performance, the Directors consider the following:

- adherence to the pre-agreed investment policy and guidelines as prescribed by the Board;
- whether the strategy adopted by the Investment Manager has been and continues to be consistent with the Company's aims;
- the asset value performance achieved in the year under review as well as over the longer term and whether this satisfies the investment objective as communicated to shareholders;
- performance comparison to a selected peer group; and
- compliance and administration competence.

Based on investment performance over the year to 31 March 2023, the Directors concluded that the continuing appointment of the Investment Manager on the existing terms is in the best interests of the shareholders as a whole.

Company secretarial, administrative and accounting services

Juniper Partners was appointed by the Company in 2015 to provide company secretarial, administrative and accounting services under an Administration Agreement. Juniper Partners also provides discount and premium control services to the Company. This agreement may be terminated on three months' notice. With effect from 1 April 2022, Juniper Partners, in respect of administration and company secretarial services, receive a fixed fee of £145,000 per annum plus 0.02% of the value of shareholders' funds up to and including £1 billion: 0.01% of the value of shareholders' funds over £1 billion up to and including £2 billion: and 0.00625% of the value of shareholders' funds on any amounts over £2 billion. For the year to 31 March 2023, Juniper Partners received a fee of £293,082 (2022: £153,865).

In respect of services provided in connection with the DCP, Juniper Partners, with effect from 1 April 2022, receive a fixed fee of £30,000 per annum plus commission of 0.1% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company up to and including £250 million: commission of 0.075% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £250 million up to and including £500 million: and commission of 0.05% of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £500 million. These fees amounted to £324,006 (2022: £355,061).

Depositary and custodian

The Northern Trust Company ("Northern Trust") was appointed in 2011 to provide custodial services for the portfolio and subsequently appointed to act as depositary on 20 December 2019 to fulfil the requirements of the AIFMD. Pursuant to the terms of this agreement, Northern Trust receives a depositary fee which is based on the net asset value of the Company, subject to a minimum of £50,000 per annum, and safe-keeping and transaction fees which vary by market. Termination of the depositary and custody agreement requires six month's written notice.

Details of the fees paid during the year are recorded in note 4 of the financial statements on page 59.

Directors' Report *(continued)*

Conflicts of interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up to date. Appropriate authorisation is sought prior to the appointment of any new Director or if any new conflicts or potential conflicts arise.

Directors

The Directors of the Company who held office at 31 March 2023 and at the date of approval of this report are set out on pages 12 and 13, together with their biographies. Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report on page 38.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

Retirement and re-election of Directors

In accordance with the AIC Code, all Directors offer themselves for either election or re-election at the forthcoming AGM and on an annual basis going forward.

After due consideration of the results of the performance evaluation, the Board confirms that the performance of each Director continues to be effective and that each Director demonstrates commitment to their role, including the necessary commitment of time for Board and Committee meetings and other duties as required. The Board believes that the election or re-election of all Directors is in the best interests of the Company and its shareholders.

Directors' indemnity

The Company maintains Directors' and officers' liability insurance in place for all Directors, which is reviewed periodically. Subject to the provisions of UK legislation, the Company's Articles of Association (the "Articles") provide the Directors with a qualifying third-party indemnity provision against costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the courts. The qualifying third-party indemnity provision was in force throughout the financial year and at the date of approval of the annual report. No claims have been brought against the Company or the Directors.

Whistleblowing policy

As the Company has neither executive Directors nor employees, a formal whistleblowing policy has not been adopted. However, the Board has agreed a procedure by means of which any Directors or employees of external service providers can bring to the attention of the Chairman or Senior Independent Director matters of concern to them. No matters of concern have been raised during the year to 31 March 2023.

Information about securities carrying voting rights

The following information is disclosed in accordance with Section 992 of the Companies Act 2006:

- the Company's capital structure is summarised on page 26;
- the details of the substantial shareholders in the Company are listed on page 26;
- the rules on the appointment and replacement of the Directors are set out in the Articles and are summarised on page 33. Any change to the Articles would be governed by the Companies Act 2006;
- the Directors' powers to issue and buy back shares, in force at the financial year-end, are recorded on page 29; and
- there are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid.

Annual General Meeting (the "AGM")

The AGM of the Company will be held on 5 July 2023 at 11.30 a.m. at the Numis Auditorium, 45 Gresham Street, London EC2V 7BF. The formal notice of such is set out on pages 73 to 74. Shareholders are strongly advised to appoint the Chairman of the meeting to vote on their behalf by completing and returning their form of proxy or when submitting their votes through an investment platform.

Directors' Report *(continued)*

Shareholders are encouraged to submit questions to the Board using the email address company.secretary@capitalgearingtrust.com by Monday, 3 July 2023. The proxy voting results, answers to any questions raised ahead of the AGM and the presentation from the Investment Manager will be made available on the Company's website following the AGM.

There are 14 resolutions being proposed at the AGM, 11 of which are ordinary resolutions, two of which are being considered as special business, and three of which (resolutions 12 to 14) are special resolutions. Resolutions 1 to 3 concern the receiving of the accounts, approving the Directors' remuneration report, and approving the final dividend of 60p per share. Resolutions 4 to 7 are for the re-election of the existing Directors. Resolution 8 is for the re-appointment of BDO as auditors and resolution 9 is to authorise the Directors to determine their remuneration.

Additional information on the resolutions relating to special business is detailed below:

Resolution 10 – Aggregate Directors' remuneration

The current Articles of Association provide that Directors' fees shall not, in aggregate, exceed £180,000 per annum. Although there are currently no plans to make any significant changes to the levels of fees paid to the non-executive Directors, the Board wish to propose an increase to the fee limit contained in the Articles of Association to reflect the increased size of the Board, following the proposed appointment of Ravi Anand as a non-executive director on 1 August 2023, as part of the continued refreshment of the Board. It is now proposed that the fee limit be increased to £230,000 per annum in aggregate and is designed to facilitate the succession planning exercise referred to in the Chairman's Statement. Directors' remuneration will continue to be paid in accordance with the Directors' Remuneration Policy.

Resolutions 11 and 12 – Directors' authority to allot shares and disapply pre-emption rights

At the AGM held on 12 July 2022 (the "2022 AGM"), the Directors were given the authority until the date of the following AGM to allot up to 7,505,056 shares and to disapply pre-emption rights in respect of up to 4,503,034 of these shares. Details of the shares issued under these authorities can be found in Note 11 on page 62.

At this year's AGM, the Directors are seeking authority to allot up to 8,678,587 shares, in aggregate a nominal value of £2,169,646.75, representing one third of the issued share capital as at 22 May 2023. The Directors are also seeking to disapply pre-emption rights in respect of the allotment of up to 20% of the issued share capital of the Company, (equivalent to 5,207,152 shares at 22 May 2023 with an aggregate nominal value of £1,301,788.00), including any shares which have been bought back as treasury shares.

The Board recognises institutional investor guidelines which state that non pre-emptive issues should be limited to a maximum of 20% for investment companies. The Board believe that the continued operation of the DCP in a cost-effective manner is in the best interest of both existing and new shareholders.

Resolution 13 – Authority to make market purchases of the Company's shares

At the 2022 AGM, the Directors were given the authority until the date of the following AGM to buy back up to 3,375,023 shares (14.99% of the issued share capital at the date of the 2022 AGM).

At this year's AGM, the Directors are seeking authority to buy back up to 3,902,760 shares (14.99% of the issued share capital as at 22 May 2023) for cancellation or holding up to 10% in treasury for re-sale into the market during more favourable market conditions at values equal or at a premium to NAV.

If approved, the powers, as detailed above under Resolutions 11 to 13 and in the formal notice of the AGM, will expire at the AGM to be held in 2024 unless previously renewed, varied or revoked by the Company in general meeting. These powers will be exercised only if the Board is of the opinion that it would result in an enhancement to the NAV per share of the Company and therefore have a positive effect on shareholder funds. The ability to buy back shares is an important part of the operation of the DCP, if and when required.

Resolution 14 – Notice of general meetings

At the 2022 AGM, a resolution was passed to allow the Company to call a general meeting other than an AGM on at least 14 clear days' notice. Such shareholder authority must be renewed annually, and must exclude AGMs, which can only be held on 21 clear days' notice. Without such shareholder authority, all general meetings need 21 clear days' notice.

The Board considers it prudent to retain the ability to call general meetings other than AGMs on the shorter notice period of 14 clear days, and this resolution seeks such approval from shareholders.

Directors' Report *(continued)*

Recommendation

The Directors consider that all the resolutions detailed in the formal notice of the AGM are in the best interests of the Company and the shareholders taken as a whole and therefore unanimously recommend to shareholders that they vote in favour of each resolution, as the Directors intend to in respect of their own holdings.

Statutory auditor

The Audit and Risk Committee is satisfied that BDO is independent of the Company and, as mentioned above, a resolution to re-appoint BDO LLP as the Company's auditors will be put to shareholders at the forthcoming AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 12 and 13. Each Director in office at the date of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Business ethics

The Company is an investment company with no employees or customers and does not provide goods or services in the normal course of business. It has appointed third parties to manage the investments and to carry out administrative and secretarial services. The Company's own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated and the Board has sought assurances from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Bribery Act 2010

The Company has zero tolerance towards bribery and is committed to carrying out business fairly, honestly and openly. The Investment Manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Greenhouse gas emissions

The Company's approach to ESG is set out on pages 21 to 25 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its shareholders are effectively its customers. As such it does not directly generate any greenhouse gas or other emissions or pollution. Nor does it have any emissions-producing sources to report under the Companies Act 2006 and associated regulations. As the Company did not consume more than 40,000 kWh of energy during the past year, it is exempt from reporting under Streamlined Energy and Carbon Reporting regulations.

Taskforce for Climate Related Financial Disclosures ('TCFD')

The Company notes the TCFD recommendations on climate-related financial disclosures. The Company is an investment trust and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

Political and charitable contributions

No contributions were made during the year for political or charitable purposes (2022: nil).

Post balance sheet events

Since 31 March 2023, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

By order of the Board

Juniper Partners Limited
Company Secretary

23 May 2023

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report.

Compliance with the recommendations of AIC Code and UK Corporate Governance Code

The Board has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code is endorsed by the Financial Reporting Council and adapts the principles and provisions set out in the UK Corporate Governance Code to make them relevant to investment companies.

The Board believes that the AIC Code, which incorporates the UK Corporate Governance Code, provides the most appropriate governance framework for the Company. Accordingly, the Company reports against the principles and provisions of the AIC Code as the Board believes this should provide more relevant information to shareholders. The 2019 edition of the AIC Code is applicable to the year under review and can be found at www.theaic.co.uk.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive directors' remuneration, the need for an internal audit function and workforce engagement. For the reasons set out in the AIC Code and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations and has therefore not reported further in respect of these provisions.

During the financial year the Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Corporate Governance Code.

Application of the AIC Code

Operation of the Board

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings, including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price premium/discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

It has delegated investment management, within clearly defined parameters and dealing limits, to CG Asset Management and the company secretarial and administration functions have been delegated to Juniper Partners. The Board reviews the performance of the Company at Board meetings and sets the objectives for the Investment Manager.

The Company Secretary is responsible to the Board, inter alia, for ensuring that Board procedures are followed and for compliance with applicable rules and regulations including the AIC Code.

The Board believes that the content and presentation of Board papers circulated before each meeting contain sufficient information concerning the financial condition of the Company. Key representatives of the Investment Manager attend each Board meeting enabling the Directors to probe on matters of concern or seek clarification on certain issues.

Biographies of those Directors in office at the date of signing of the financial statements are set out on pages 12 and 13.

Audit and Risk Committee

The Audit and Risk Committee is a formally constituted Committee of the Board with defined terms of reference. The Committee is chaired by Robin Archibald. Its role and responsibilities are set out in the Report of the Audit and Risk Committee on page 41. As the Board is small, Jean Matterson, the Chairman of the Board, was appointed a member of the Audit and Risk Committee with effect from 26 January 2022. The Board is satisfied that members of the Audit and Risk Committee have relevant and recent financial experience to fulfil their role effectively and also have sufficient experience relevant to the closed ended investment company sector and UK listed companies. The auditor, who the Board has identified as being independent, is invited to attend the Committee meeting at which the annual accounts are considered and any other meetings that the Committee deems necessary.

Corporate Governance Statement *(continued)*

Nomination Committee

A Nomination Committee, comprising all the independent Directors, oversees the annual appraisal of the Board members, including the chair, to assess whether individual Board members should be nominated for re-election each year, evaluates the overall composition of the Board from time to time, taking into account the existing balance of skills and knowledge on the Board and considers succession planning accordingly. This Committee is chaired by Jean Matterson.

The Committee, when assessing the performance of Directors and for making recommendations as to whether they should remain in office and be put forward for election or re-election at the AGM, uses extensive questionnaires and reviews by the Chairman. In September 2022, the Board, following a tender process, engaged Lintstock Limited, an independent governance specialist, to complete an externally facilitated Board evaluation. The Senior Independent Director is responsible for the appraisal of the Chairman. This review did not identify any causes for concern.

Management Engagement Committee

A Management Engagement Committee comprises all the independent Directors of the Company and is chaired by Paul Yates. The Committee meets at least once a year to consider the performance and remuneration of the Investment Manager and to review the terms of the investment management contract. The Management Engagement Committee also reviews the terms and performance of the other key service suppliers to the Company on an annual basis, including the costs of these services and how effective they have been during the year.

Remuneration Committee

A Remuneration Committee comprises all the independent Directors of the Company and is chaired by Wendy Colquhoun. The Committee meets at least once a year to consider the Directors' Remuneration Policy and the remuneration of the Directors.

During the year, the Committee considered the Directors' fees over the last eight years, fees paid by its investment trust peer group and the results of Trust Associate's 2022 fee review. After considering this information and the work and responsibilities of the Directors, the Committee concluded that for the forthcoming financial year it was appropriate to increase the fees as detailed in the Directors' Remuneration Report on page 37. The additional fee payable to the Senior Independent Director would remain at £2,000.

The Directors' Remuneration Report can be found on pages 36 to 40.

Directors' meeting attendance

The number of formal meetings held during the year ended 31 March 2023 and the Directors' attendance is detailed below.

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Miss J G K Matterson	5/5	3/3	1/1	3/3	1/1
Mr R Archibald	5/5	3/3	1/1	3/3	1/1
Ms W M Colquhoun	5/5	3/3	1/1	3/3	1/1
Mr P T Yates	5/5	3/3	1/1	3/3	1/1

* invited as an attendee only

Apart from regular Board meetings, members of the Board attended a number of ad hoc committee meetings during the year, for strategic discussions, succession planning and continued implementation of the discount/ premium control policy. Members of the Board are also in contact with representatives of the Investment Manager and the Company Secretary on an informal and regular basis. In addition, all members of the Board attended the AGM on 12 July 2022.

Corporate Governance Statement *(continued)*

Independence of the Directors

Each of the Directors is independent of any association with the Investment Manager and has no other relationships or circumstances which might be perceived to interfere with the exercise of independent judgement on the affairs of the Company. The Board is firmly of the view that all of the Directors can be considered to be independent. In arriving at this conclusion the Board makes a clear distinction between the activities of an investment trust and a conventional trading company. An investment trust has no employees or executive Directors, the most significant relationship being with the Investment Manager. In overseeing this relationship it is the view of the Board that long service can aid the understanding and judgement of the Directors. The Directors have a range of business and financial skills and experience relevant to the direction of the Company. Robin Archibald is currently the Senior Independent Director, having been appointed to this role in January 2020. Mr Archibald has significant direct corporate and market experience of investment companies and of acting as a senior independent director, non-executive director and audit chair for other investment companies.

Director tenure

In accordance with the AIC Code all Directors are subject to annual re-election. Board support for re-election is based on the outcome of an annual performance evaluation. The Chairman also speaks with each Director individually. The performance of each Director and nominations for re-election are then discussed by the Board as a whole.

The Board's view is that length of tenure is not necessarily an issue, with the Director's contribution, and ability being important factors in determining the value the individual brings to the Board. The Directors are conscious of the benefits of continuity on the Board and believe that retaining Directors with sufficient experience of both the Company and the markets is of great benefit to the Company. The Chairman and Directors would generally be expected to serve a term of up to nine years. However, as stated in the Chairman's statement, certain circumstances, such as significant corporate change and the need to maintain cohesion, and continuity may require this term to be adjusted.

Director remuneration

The Company's policy on Director remuneration is set out within the Directors' Remuneration Report on pages 36 to 40.

Board diversity

The Board is focused on having an effective Board which consists of experienced non-executive Directors who can function well together and have a good operational knowledge of the Company and the closed ended investment company sector more generally. The Board currently consists of four independent Directors in Jean Matterson, Robin Archibald, Wendy Colquhoun and Paul Yates. As mentioned in the Chairman's statement on page 5, Ravi Anand will be appointed with effect from 1 August 2023.

The Board supports the principle of boardroom diversity in its broadest sense, in terms of gender, expertise, geographic background, age and race. The Company is specialised and the Board's priority is to have a relatively small and effective independent Board of non-executive Directors with the requisite abilities and experience to oversee the Company, its investments and its corporate structure, including its third-party advisers. Any new appointee would make an appropriate contribution to those skills. It is the Board's policy to review its composition regularly and, when appropriate, to refresh the Board through recruitment, with the aim of having the blend of skills and attributes that will best serve shareholders in the future and will not discriminate on the grounds of gender, race, ethnicity, socio-economic background, religion, sexual orientation, age or physical ability.

The Nomination Committee is conscious of the diversity targets set out in the FCA Listing Rules and the Board complies with the AIC Code of Corporate Governance in appointing appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company and aims to have an appropriate level of diversity on the Board.

In accordance with Listing Rule 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity as at 31 March 2023, being the financial year-end of the Company. The information included in the tables below has been obtained following confirmation from the individual Directors. As shown in the tables, the Company did not meet the FCA ethnic diversity target as at 31 March 2023, however with effect from 1 August 2023 and the appointment of Ravi Anand, the Company will meet the new target. The Board will continue to take all matters of diversity into account as part of its succession planning.

Corporate Governance Statement *(continued)*

Board gender as at 31 March 2023[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	50%	1
Woman	2	50%[2]	1[3]

Board ethnic background as at 31 March 2023[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority-white groups)	4	100%	2
Mixed/Multiple Ethnic Groups	–	–[4]	-

(1) The Company does not disclose the number of Directors in executive management as this is not applicable for an investment trust.

(2) This meets the Listing Rules target of 40% in terms of gender diversity.

(3) The Chairman of the Board is a woman. The position of the Chairman of the Remuneration Committee is also held by a woman however this is not currently defined as a senior position.

(4) Following the appointment of Ravi Anand on 1 August 2023, the Company will meet the Listing Rules target on ethnic diversity.

Directorate

The Board believes that shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board with experienced candidates whilst maintaining continuity of knowledge and expertise.

Induction and training

New Directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided covering industry and regulatory matters and the Directors receive other relevant training as required.

Ongoing evaluation

On an annual basis the Nomination Committee formally reviews the Board's performance, together with that of the Audit and other Board committees and the effectiveness and contribution of the individual Directors, including the Chairman, within the context of service on those bodies. This year the review was externally facilitated by Lintstock Limited, an independent governance specialist, and was conducted by way of evaluation questionnaires, the results of which were discussed by the Directors in September 2022. The Senior Independent Director led the annual evaluation of the Chairman. The outcome of the external review was positive with no significant concerns expressed.

As the Company is a constituent of the FTSE 250, the Board intends to hold an externally facilitated performance evaluation of the Board, its Committees, the Chairman and the individual Directors, every three years. The next externally facilitated evaluation is scheduled to take place in 2025/26.

Shareholder communications

Shareholder relations are given high priority by both the Board and the Investment Manager. The principal medium by which the Company communicates with shareholders is through half yearly and annual reports. The information contained therein is supplemented by daily NAV announcements and by a monthly fact sheet and quarterly report available on the Company's website.

The Board largely delegates responsibility for communication with shareholders to CGAM and, through feedback, from the Investment Manager, expects to be able to develop an understanding of shareholders' views. There is also a communication line with shareholders through Juniper Partners in its role as company secretary and operator of the DCP. The Board receives a quarterly report from the Investment Manager summarising any shareholder correspondence. Members of the Board are always happy to meet with shareholders for the purpose of discussing matters in relation to the operation and prospects of the Company.

The Board encourages investors to attend the AGM and welcomes questions and discussion on issues of concern or areas of uncertainty. Shareholders who have any questions are encouraged to address these through the Company Secretary and the Board will respond accordingly.

The Investment Manager typically makes a presentation at the AGM outlining the key investment issues that face the Company. The presentation will also be made available on the Company's website.

Accountability, internal controls and audit

The Board pays careful attention to ensuring that all documents released by the Company, including the Annual Report, present a fair and accurate assessment of the Company's position and prospects.

Corporate Governance Statement *(continued)*

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, the Board has determined that the most efficient and effective management of the Company is achieved by the Directors determining the investment strategy, and the Investment Manager being responsible for the day to day investment management decisions on behalf of the Company. Accounting, company secretarial and custodial services have also been delegated to organisations that are specialists in these areas, and which can provide, because of their size and specialisation, economies of scale, segregation of duties and all that is required to provide proper systems of internal control within a regulated environment.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit and Risk Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit and Risk Committee examines internal control reports received from its principal service providers to satisfy itself as to the controls in place. The internal controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable.

Control of risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance statements, financial and risk analyses, Investment Manager reports and control reports. Key risks have been identified and controls put in place to mitigate them, including those not directly the responsibility of the Investment Manager. The effectiveness of the internal controls is assessed on a continuing basis by the Investment Manager, the custodian and the Company Secretary. Each maintains its own system of internal controls, and the Board and Audit and Risk Committee receive regular reports from them. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve objectives.

It is a requirement that the Board monitors the Company's risk management and internal controls systems and, at least annually, carries out a review of their effectiveness. The Board has established a process for identifying, evaluating and managing the principal risks faced by the Company in accordance with the Financial Reporting Council's guidance document "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly. The Board confirms that no significant failings or weaknesses were identified from the ongoing review of the efficacy of internal controls during the year under review. These controls have been in place throughout the year under review and up to the date of signing the financial statements.

The Board continues to work closely with all of its agents, directly or indirectly, to ensure that internal controls and the resilience of operating systems continue to be in place, which has proven to be the case. The systems and controls have proven to be robust to date.

By order of the Board

Juniper Partners Limited
Company Secretary

23 May 2023

Directors' Remuneration Report

This section provides details of the remuneration policy for the Directors of the Company. All Directors are non-executive, appointed under the terms of letters of appointment, and none have a service contract. Each Director's appointment is subject to their re-election every year at the AGM. The Company has no employees.

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. The shareholders approved the remuneration policy at the Annual General Meeting in 2022 and it will be put to shareholders again at the AGM to be held in 2025. This policy, together with the Directors' letters of appointment, may be inspected at the Company's registered office.

The Board has established a Remuneration Committee consisting of all the independent Directors, chaired by Wendy Colquhoun. The Committee considers and determines all matters relating to the Directors' remuneration at the beginning of each financial year. The Directors are remunerated exclusively by fixed fees in cash. There are no performance related elements to the Directors' fees and the Company does not operate any type of incentive, share scheme or pension scheme. Therefore, no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are entitled to receive reasonable out of pocket expenses incurred in connection with their responsibilities, which largely relate to travel and accommodation expenses.

Policy on Directors' remuneration

The Company's policy is that the remuneration of each Director should be commensurate with the duties, responsibilities and time commitment of each respective role and consistent with the requirement to attract and retain Directors of appropriate quality and experience. The remuneration should also be comparable to that of similar investment trusts within the AIC Flexible Investment Sector and other investment trusts which are similar in size and structure. Given the nature of the Company, there may be circumstances where additional remuneration is paid to Directors for requirements outside the normal activities of the Board. The remuneration policy is not subject to employee consultation as the Company has no employees. As such, there are no employee comparative data to provide in relation to the setting of the remuneration policy of the Directors.

The Board, at its discretion, shall determine Directors' remuneration subject to the aggregate annual fees not exceeding the amount set out in the Company's Articles from time to time. The current limit of the total aggregate annual fees payable is £180,000. This limit can be increased by ordinary resolution of the shareholders. Remuneration is solely composed of Directors' fees and Directors are not eligible for any other remuneration for their duties. Fees for each financial year are agreed and approved by the Remuneration Committee.

It is intended that this policy will remain in place for the next and subsequent financial years.

Shareholder views

The Board will consider any comments received from shareholders on the remuneration policy on an ongoing basis and will take account of these views where appropriate. No shareholder has expressed any views to the Company in respect of the remuneration policy and the Directors' remuneration.

Loss of office

A Director may be removed from office without notice and no compensation will be due on loss of office.

Expenses

All Directors are entitled to the reimbursement of reasonable out of pocket expenses incurred by them in order to perform their duties as Directors of the Company.

Review of remuneration policy

The Board reviews the above remuneration policy at least annually to ensure that it remains appropriate.

Amendment to the Articles

As noted above, the current aggregate annual remuneration limited within the Articles is £180,000 per annum. A resolution to increase this limit to £230,000 will be proposed at the 2023 AGM. This increase reflects the appointment of an additional Director to the Board from 1 August 2023, and is designed to facilitate the succession planning exercise referred to in the Chairman's Statement and to allow some headroom for future increases to Director's fees.

Audit requirements

The Company's auditors are required to report on certain information contained within this report. These elements are described below as 'audited'. The auditors' opinion is included within the auditors' report set out on pages 46 to 51.

Directors' Remuneration Report *(continued)*

Directors' fees

The Directors who served during the year received remuneration as detailed below. The fee rates, having been determined are applied from the date, which is not necessarily the commencement of a reporting year, where a director is appointed or assumes additional responsibilities.

The Directors are remunerated exclusively by fixed fees and do not receive bonus payments, share options or pension contributions from the Company apart from reimbursement of allowable expenses. Directors' fees are reviewed every year and a detailed review was undertaken in May 2023 and the agreed new fee rates shown in the table below took effect from 1 April 2023.

	Annual fee rates		
	2024 £	2023 £	2022 £
Chairman	46,500	**42,350**	38,500
Audit and Risk Committee Chairman*	38,000	**36,300**	33,000
All other Directors	31,000	**30,000**	27,500

* The Senior Independent Director, who is also Chairman of the Audit and Risk Committee, receives an additional fee of £2,000 per annum.

Aggregate Director's remuneration

The total remuneration for the Board as a whole, including Directors who have retired, over the previous five years is summarised below and there were no performance related, pension or other taxable benefits paid:

	Fees £
To 31 March 2023	**140,650**
To 31 March 2022	128,500
To 5 April 2021	113,577
To 5 April 2020	121,000
To 5 April 2019	99,000

Single total figure of remuneration (audited)

The single total figure of remuneration for the Board as a whole for the year ended 31 March 2023 was £140,650 (Period to 31 March 2022: £128,500). The single total figure table for the total remuneration of each Director, together with the prior year's comparative, is set out in the table below:

	Total	
Directors	2023 £	2022 £
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	**42,350**	38,500
Mr R Archibald (Chairman of the Audit and Risk Committee and Senior Independent Director)	**38,300**	35,000
Ms W M Colquhoun	**30,000**	27,500
Mr P T Yates	**30,000**	27,500
	140,650	128,500

There were no other transactions with Directors during the year.

No payments were made to any former Directors and no loss of office payments were made to any person who has previously served as a Director of the Company at any time during the financial year ended 31 March 2023 (period to 31 March 2022: nil).

Annual percentage change in remuneration of Directors

The table below is a disclosure requirement under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and sets out the annual percentage change in each director's remuneration received in the financial year ended 31 March 2023 compared to the financial period ended 31 March 2022. The percentage change reflects changes in roles on the Board compared to previous remuneration and less than full year appointment.

Directors	2023 Total Fees % change	2022 Total Fees % change	2021 Total Fees % change
Miss J G K Matterson (Chairman of the Board with effect from 3 July 2020)	**10.0%**	18.5%	29.2%
Mr R Archibald (Chairman of the Audit and Risk Committee and Senior Independent Director)	**9.4%**	9.4%	10.3%
Ms W M Colquhoun (appointed 5 January 2021)	**9.1%**	384.8%	n/a
Mr P T Yates (appointed 2 December 2019)	**9.1%**	10.0%	212.5%

Directors and their interests (audited)

The Directors in office at 31 March 2023 and the number of shares in the Company over which they held an interest are listed below. The interests of each Director include the interests of their connected persons:

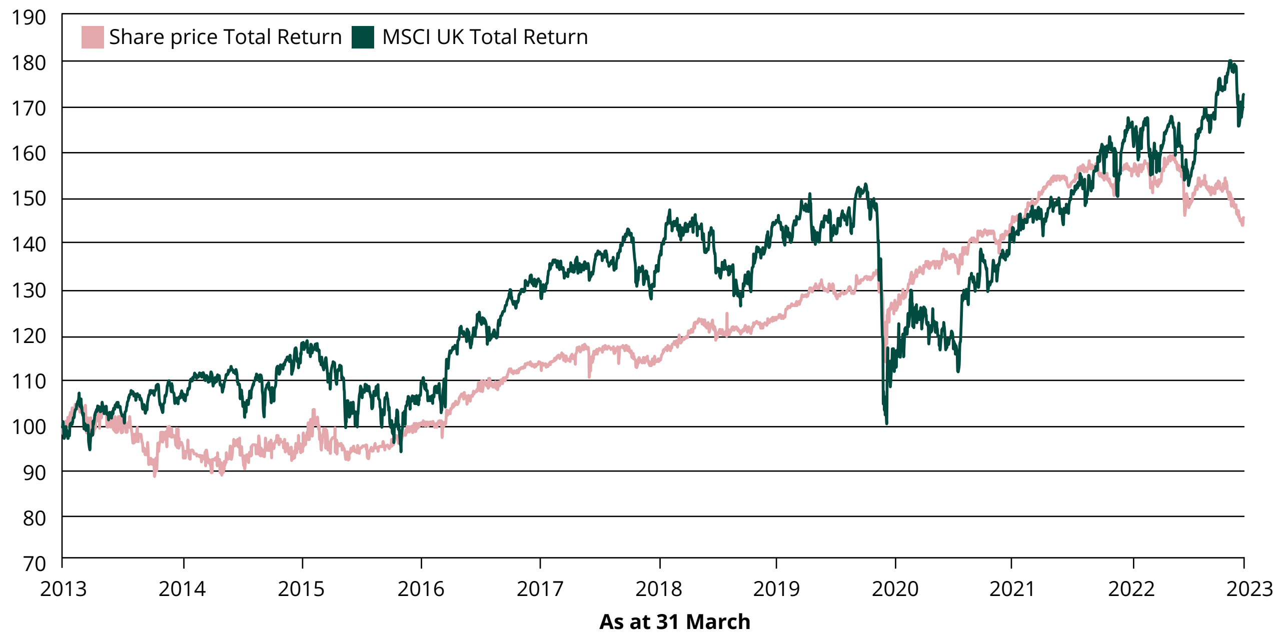
	Ordinary shares of 25p each	
	31 March 2023	31 March 2022
Miss J G K Matterson		
Non-executive Chairman	**18,650**	16,700
Mr R Archibald		
Non-executive Director and Senior Independent Director	**2,432**	2,432
Ms W M Colquhoun		
Non-executive Director	**400**	400
Mr P T Yates		
Non-executive Director	**1,000**	1,000

No changes in these holdings have been notified since 31 March 2023 up to the date of this report. The Company has no share options or any share schemes, and does not operate a pension scheme. None of the Directors are required to own shares in the Company.

Directors' Remuneration Report *(continued)*

Performance graph

The following graph compares the Company's share price total return to shareholders over the last ten years with the MSCI UK Index. This index has been selected for the purposes of comparing the Company's share price performance as it has been the Company's equity performance comparator since 2017.



* Source: CG Asset Management Limited, data rebased to 100 in 2013

Relative importance of spend on pay

Actual expenditure by the Company on remuneration and distributions to shareholders for the current and prior year are detailed in the table below:

	2023 £'000	2022 £'000	Absolute change £'000
Remuneration paid to all Directors	**141**	129	12
Distribution to shareholders by way of dividend*	**15,755**	9,610	6,145

* Dividend for 2023 comprises the final dividend proposed for the year but not yet paid (estimated on 26,258,763 shares, being the number of shares in issue, excluding shares held in treasury, as at 31 March 2023).

Statement of voting at the last Annual General Meeting

An ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM and every year thereafter. To date, no shareholders have commented in respect of the remuneration report or policy. Should there be any significant vote against approval of the remuneration report or policy in the future, the Directors will seek to discuss with relevant shareholders the reasons for any such vote and any actions in response will be disclosed in future reports. At the last AGM held on 12 July 2022, shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Report: of the 6,058,805 proxy votes cast, 6,047,429 (99.8%) were cast in favour and 11,376 (0.2%) were cast against. 9,413 votes were withheld.

At the AGM held on 12 July 2022, shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Policy: of the 6,057,769 proxy votes cast, 6,047,109 (99.8%) votes were cast in favour and 10,660 (0.2%) were cast against. 10,449 votes were withheld.

Directors’ Remuneration Report *(continued)*

Annual statement

On behalf of the Board, I confirm that the above Directors’ Remuneration Report summarises as appropriate for the year ended 31 March 2023:

a) the major decisions on Directors’ remuneration;

b) any substantial changes relating to Directors’ remuneration made during the year; and

c) the context in which those changes occurred and decisions were taken.

On behalf of the Board

Wendy Colquhoun
Chairman of the Remuneration Committee

23 May 2023

Audit and Risk Committee Report

This report describes the range of work that the Committee has considered, been engaged in and the judgements it has exercised.

Composition

The Committee comprises Jean Matterson, Wendy Colquhoun, Paul Yates and Robin Archibald, as Chairman, all of whom have recent and relevant financial experience from their senior management and other non-executive roles in the closed-ended sector. Robin Archibald is a chartered accountant and corporate financier with considerable financial and investment company experience, including serving as audit chair for various other investment companies over the last ten years. The biographies of the Committee members can be found on pages 12 and 13. As the Board is small, Jean Matterson, the Chairman of the Board, was appointed a member of the Audit and Risk Committee with effect from 26 January 2022. Previously Jean attended Committee meetings by invitation only. Collectively, the Committee brings considerable corporate and investment company experience to bear on the Company's activities.

Role and responsibilities

The principal objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial reporting and monitoring the appointment, effectiveness and objectivity of the external auditor. In doing so, the Committee operates within its terms of reference, which are reviewed at each meeting and are available on the Company's website.

The Committee discharges the following key functions:

- to review the internal financial and non-financial controls, identify the principal risks, including emerging risks, and monitor the mitigating controls. This includes meeting representatives of the Investment Manager, Administrator and Custodian and receiving reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company;
- to consider the integrity of and recommend to the Board for approval the contents of the draft half-yearly and annual reports to shareholders and related announcements;
- to review the accounting policies and significant financial reporting judgements;
- to assess going concern and viability of the Company, including the assumptions used;
- to ensure the Annual Report, taken as a whole, is fair, balanced and understandable;
- to review the external auditors' independence, objectivity, effectiveness, appointment, remuneration and the quality of the services provided and to approve, if appropriate, any non-audit services to be carried out by the auditor;
- together with the Company Secretary, to review the Company's compliance with financial reporting, regulatory and governance requirements; and
- to assess the need for an internal audit function, taking account of the assurances received from the various external agents to the Company on their internal controls and systems.

The Committee met in full three times during the year, and its members met more regularly on an informal basis, as well as reviewing and commenting on documentation between formal committee meetings. The Company's auditor is invited to attend meetings as appropriate. The Committee has continued to support the Board in fulfilling its oversight responsibilities, reviewing the financial reporting process, the systems of internal control and management of risk, the audit process and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.

In particular, the Committee focussed on the following areas:

Financial reporting

During the year, the Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements and in the production of the interim accounts, including emerging risks and changes to the Company's risk profile. The Committee reviewed the external audit plan in November 2022 and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements and that the accounting policies applied continue to be appropriate.

Audit and Risk Committee Report
(continued)

Financial reporting *(continued)*

As part of the review of the financial statements, the Committee considered the following significant issues:

Significant issue	How the issue was addressed
Ownership and valuation of investments	The appointed Depositary is responsible for the custody and controlling of all assets of the Company entrusted for safekeeping. Controls are in place to ensure that valuations are appropriate, and existence is verified by Juniper Partners via reconciliations to custodial records. The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 1 to the financial statements on page 56.
Ongoing impact of higher inflation, rising interest rates, and heightened geopolitical risks	The Committee reviewed inflation, rising interest rates, and geopolicial risks as part of the review of the investment portfolio and the asset allocation.
Revenue recognition, particularly from delisted trusts, where returns may be of capital rather than income, and any other returns from investments which constitute capital rather than revenue returns	Revenue was recognised in accordance with investment policies and enquiry was made on revenue of an atypical nature, such as special dividends or capital receipts. The Investment Manager reported to the Committee that less than 0.1% of the Company's portfolio is invested in delisted investment trusts. Receipts from these investments are reviewed by the Company Secretary and Investment Manager to ensure they are appropriately allocated to revenue or capital.
Potential for management override of controls and maintaining appropriate internal controls	The Committee together with the Board have established clear lines of responsibility between the Investment Manager, Custodian, Company Secretary and Administrator and receive appropriate reports from each of them regarding the operation and review of those organisations' internal controls.
Going concern	The content of the investment portfolio, trading activity, portfolio diversification and the cash balances are discussed at each Board meeting. After due consideration, the Committee concluded it was appropriate to prepare the Company's financial statements on a going concern basis and made this recommendation to the Board. The Company's continued ability to meet its investment objective, apply its investment policy, fulfil the aims of the discount and premium control policy, having a widely diversified and relatively liquid investment portfolio of largely listed securities and being ungeared, with the operational expenses of the Company covered by net income, were all factored into the consideration of both going concern and viability of the Company.
Compliance with s1158 Corporation tax Act 2000 (Investment trust status) and other taxation issues impacting on the Company	The Committee reviews the Company Secretary's procedures for ensuring compliance with relevant regulations, including maintenance of investment trust status and regularly seeks confirmation of compliance with the relevant regulations. A separate accounting firm is appointed to oversee and advise tax matters impacting on the Company.

Audit and Risk Committee Report *(continued)*

Financial statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. One of the main governance requirements of the Company's Annual Report and Financial Statements is that they are fair, balanced and understandable. The Board has requested that the Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements, and that the Committee has given consideration to the following:

a) the comprehensive reviews that are undertaken at different levels in the production process of the Annual Report and Financial Statements, by the Investment Manager, Company Secretary and Auditor and the Committee that aim to ensure consistency and overall balance; and

b) the controls that are in place at the Investment Manager and third-party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets.

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 31 March 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, position, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 45.

Climate change

The Committee have considered the impact of climate change insofar as they are reasonably able, particularly in the context of the climate-related risks. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year, nor were they expected to have a significant impact on the Company's going concern or viability.

Audit appointment and tenure

The Company's current auditors, BDO LLP, have acted in this role since their appointment in July 2020, following a formal tender process. As described below, the Committee reviews the performance of the auditors annually, taking into consideration the services and advice provided to the Company and the fees charged for these services. The audit partner is required to be rotated at least every five years. BDO were first appointed in 2020 with Vanessa Bradley as audit partner. During 2022, BDO transferred the audit to their Edinburgh office and the audit partner, with effect from November 2022, is now Chris Meyrick. Based on existing regulation the audit must be put out to tender at least every ten years. The Company confirms that it complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 31 March 2023.

Policy on non-audit services

The Company operates on the basis whereby the provision of non-audit services by the auditor is permissible where no conflict of interest arises, where the independence of the auditor is not likely to be impinged on by undertaking the work and the quality and objectivity of both the non-audit work and audit work will not be compromised. There was no non-audit work carried out during the year by BDO, nor since its appointment in 2020. Taxation services for the Company are provided by a separate accounting firm, Grant Thornton.

Audit plan and fees

The Committee considered the plan and scope of the audit, the principal risks that BDO would address, the timetable and proposed fees. The audit fee of £43,000 for the current year's audit, an increase from £38,000 from the previous year, both figures excluding VAT, was approved by the Committee. There has been a trend for increased audit fees throughout the accounting industry, particularly for listed companies, including investment companies. It is expected that the Company will be impacted by this but that the fees remain competitive for what is being provided and for the circumstances of the Company and the Committee will endeavour to ensure that value is provided for fees rendered.

Representatives of BDO attend the Committee and subcommittee meetings at which the draft Annual Report and Financial Statements are reviewed and are given the opportunity to speak to the Committee members without the presence of the representatives of the Investment Manager or the Company Secretary.

Audit and Risk Committee Report *(continued)*

Assessment of the efficacy of the external audit process

The Committee has adopted a framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

a) the quality of the audit engagement partner and the audit team;

b) the expertise of the audit firm and the resources available to it;

c) planning, scope and execution of the audit, including identification of areas of audit risk;

d) consideration of the appropriateness of the level of audit materiality adopted;

e) role of the Board, Company Secretary, and third-party service providers in an effective audit process;

f) communications by the auditor with the Committee;

g) how the auditor supports the work of the Committee and contributes added value; and

h) a review of independence and objectivity of the audit firm.

Following the completion of the external audit each year, the Committee reviews the effectiveness of the external audit process against these criteria and is satisfied that audit quality continues to be sufficient to allow the Company to meet its obligations, and to gain value from the services provided. The Committee is satisfied that the external audit was carried out effectively and recommends the re-appointment of BDO as the Company's auditor for the forthcoming financial year and the fixing of their remuneration for that year.

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. Being an investment company with no employees, all executive activities are delegated to service providers, principally among them, the Investment Manager and the Administrator. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from the Investment Manager and the Administrator. The Board has therefore concluded that it is not necessary for the Company to have its own internal audit function.

Committee evaluation

The Board conducts a formal annual review of the Committee's effectiveness, using an evaluation questionnaire. The outcome was positive with no concerns expressed.

2023-2024 action plan

During the year to 31 March 2024, the Committee will continue to examine changes to the regulatory, governance and economic environment, and the risks and opportunities so presented. The annual report and financial statements and the half yearly statement will occupy much of the Committee time, as will examining the resilience of the Company's operations, the internal controls of its agents and the integrity of financial records and external financial reporting, Risks will continue to be monitored, particularly the impact of increasing inflation and geopolitical risks, whether current or emerging.

Robin Archibald
Chairman of the Audit and Risk Committee

23 May 2023

Directors' Responsibilities Statement

in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Annual Report and Financial Statements are published on the Company's website which is maintained by the Investment Manager. The Investment Manager is responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Declaration

Each of the Directors, whose names and functions are listed in the Governance Report, confirms that, to the best of his or her knowledge:

- the Company's Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Board's Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Jean Matterson
Chairman

23 May 2023

Independent auditors' report

to the members of Capital Gearing Trust P.l.c.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Capital Gearing Trust P.l.c. (the 'Company') for the year ended 31 March 2023 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by shareholders on 3 July 2020 to audit the financial statements for the year ended 5 April 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the periods ended 5 April 2021 to 31 March 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the ongoing geo-political issues by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their revenue forecast including consideration of the available cash resources relative to forecast expenditure and commitments; and
- Assessing the liquidity position available to meet the future obligations and operating expenses for a period of 12 months from the date of approval of these financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report *(continued)*

to the members of Capital Gearing Trust P.l.c.

Overview

Key audit matters	Valuation and ownership of listed investments	**2023** ✔	**2022** ✔
Materiality	**Company financial statements as a whole** £12.6m (2022: £10.4m) based on 1% (2022: 1%) of Net assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation and ownership of listed investments (Notes 8 and 14 to the financial statements)	The investment portfolio at the year-end comprised of investments held at fair value through profit or loss. We considered there to be a risk of error that the prices used for the listed investments held by the Company are not reflective of fair value. The is also a risk that errors made in the recording of investment holdings result in the financial statements not appropriately reflecting investments owned by the Company. We considered the valuation and existence of listed investments to be the most significant audit area as the listed investments represent the most significant balance in the financial statements and underpin the principal activity of the Company. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of the whole portfolio of listed investments. We performed the following procedures: ■ Confirmed the year-end bid price was used by agreeing to externally quoted prices; ■ Assessing if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; ■ Obtained direct confirmation of the investment holdings from the custodian regarding all investments held at the balance sheet date; and ■ Recalculating the valuation by multiplying the holdings per the statement obtained from the custodian by the valuation per share. **Key observations** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the listed investments was not appropriate.

Independent auditors' report *(continued)*

to the members of Capital Gearing Trust P.l.c.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023 £m	**2022 £m**
Materiality	12.6	10.4
Basis for determining materiality	1% of Net assets	1% of Net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.
Performance materiality	9.4	7.87
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for determining performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £252,000 (2022: £208,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report *(continued)*

to the members of Capital Gearing Trust P.l.c.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	■ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and ■ The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	■ Directors' statement on fair, balanced and understandable; ■ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; ■ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages; and ■ The section describing the work of the Audit and Risk Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ■ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ■ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ■ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or ■ the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ■ certain disclosures of Directors' remuneration specified by law are not made; or ■ we have not received all the information and explanations we require for our audit.

Independent auditors' report *(continued)*

to the members of Capital Gearing Trust P.l.c.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit and Risk Committee; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit and Risk Committee, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Independent auditors' report *(continued)*

to the members of Capital Gearing Trust P.l.c.

Based on our risk assessment, we considered the area most susceptible to be management override of controls.

Our procedures in respect of above included:

- The procedures set out in the Key Audit Matters section above;
- Recalculating investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing the material period end journals by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of **BDO LLP, Statutory Auditor**
Edinburgh, UK

23 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 March 2023

		Year ended 31 March 2023			Period ended 31 March 2022		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments	8	–	(68,449)	(68,449)	–	57,875	57,875
Net currency (losses)/gains		–	(547)	(547)	–	530	530
Investment income	2	24,846	–	24,846	14,677	–	14,677
Other income	2	93	–	93	–	–	–
Gross return		24,939	(68,996)	(44,057)	14,677	58,405	73,082
Investment management fee	3	(4,620)	–	(4,620)	(3,627)	–	(3,627)
Other expenses	4	(974)	–	(974)	(727)	–	(727)
Net return before tax		19,345	(68,996)	(49,651)	10,323	58,405	68,728
Tax charge on net return	5	(1,739)	–	(1,739)	(510)	–	(510)
Net return attributable to equity shareholders		17,606	(68,996)	(51,390)	9,813	58,405	68,218
Net return per Ordinary share	7	70.67p	(276.96)p	(206.29)p	56.81p	338.14p	394.95p

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

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

There are no gains or losses other than those recognised in the income statement and therefore no statement of comprehensive income has been presented.

The notes on pages 56 to 70 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2023

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Realised capital reserve* £'000	Unrealised capital reserve* £'000	Revenue reserve* £'000	Total equity share-holders' funds £'000
Opening balance at 6 April 2021		3,453	463,437	16	120,242	38,136	8,762	634,046
Net return attributable to equity shareholders and total comprehensive income for the period		–	–	–	39,319	19,086	9,813	68,218
New shares issued		1,770	352,572	–	–	–	–	354,342
Dividends paid	6	–	–	–	–	–	(6,771)	(6,771)
Total transactions with owners recognised directly in equity		1,770	352,572	–	–	–	(6,771)	347,571
Closing balance at 31 March 2022		5,223	816,009	16	159,561	57,222	11,804	1,049,835
Opening balance at 1 April 2022		**5,223**	**816,009**	**16**	**159,561**	**57,222**	**11,804**	**1,049,835**
Net return attributable to equity shareholders and total comprehensive income for the year		**–**	**–**	**–**	**(3,801)**	**(65,195)**	**17,606**	**(51,390)**
New shares issued		**1,422**	**285,744**	**–**	**–**	**–**	**–**	**287,166**
Shares bought back		**–**	**–**	**–**	**(15,334)**	**–**	**–**	**(15,334)**
Dividends paid	6	**–**	**–**	**–**	**–**	**–**	**(10,558)**	**(10,558)**
Total transactions with owners recognised directly in equity		**1,422**	**285,744**	**–**	**(15,334)**	**–**	**(10,558)**	**261,274**
Closing balance at 31 March 2023		**6,645**	**1,101,753**	**16**	**140,426**	**(7,973)**	**18,852**	**1,259,719**

* These reserves are available for distribution (except for Level 3 investments detailed in Note 14).

The notes on pages 56 to 70 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	**1,251,801**	991,893
Current assets			
Debtors	9	**7,892**	15,386
Cash at bank and in hand		**13,766**	50,611
		21,658	65,997
Creditors: amounts falling due within one year	10	**(13,740)**	(8,055)
Net current assets		**7,918**	57,942
Total assets less current liabilities		**1,259,719**	1,049,835
Capital and reserves			
Called-up share capital	11	**6,645**	5,223
Share premium account		**1,101,753**	816,009
Capital redemption reserve		**16**	16
Capital reserve		**132,453**	216,783
Revenue reserve		**18,852**	11,804
Total equity shareholders' funds		**1,259,719**	1,049,835
Net asset value per Ordinary share	12	**4,797.3p**	5,025.1p

The financial statements on pages 52 to 70 were approved by the Board on 23 May 2023 and signed on its behalf by:

Jean Matterson
Chairman

The notes on pages 56 to 70 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 March 2023

	Note	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Net cash inflow from operating activities	13	**16,499**	9,759
Payments to acquire investments		**(1,037,482)**	(833,682)
Receipts from sale of investments		**713,875**	496,426
Net cash outflow from investing activities		**(323,607)**	(337,256)
Equity dividends paid	6	**(10,558)**	(6,771)
Repurchase of Ordinary shares		**(15,315)**	–
Proceeds from the issue of Ordinary shares		**297,172**	348,313
Cost of share issues		**(1,036)**	(676)
Net cash inflow from financing activities		**270,263**	340,866
(Decrease)/increase in cash and cash equivalents		**(36,845)**	13,369
Cash and cash equivalents at start of year		**50,611**	37,242
Cash and cash equivalents at end of year		**13,766**	50,611

The notes on pages 56 to 70 form an integral part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

The current reporting year is 1 April 2022 to 31 March 2023. The comparative information is for the period 6 April 2021 to 31 March 2022.

a) Basis of accounting

Capital Gearing Trust P.l.c. is a public company limited by shares, is incorporated and domiciled in Northern Ireland and carries on business as an investment trust.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (Accounting Standards "UK GAAP") including Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in 2022. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. A robust assessment of going concern by the Audit and Risk Committee is set out in the Board's Strategic Report and can be found on page 25. In concluding on going concern basis, the Directors have taken into account the liquidity of the portfolio, forecasts and obligations under the DCP.

The principal accounting policies are set out below. These policies have been applied consistently throughout the current year and prior period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates or judgements.

b) Valuation of investments

The Company has elected to adopt Sections 11 and 12 of FRS 102 in respect of investments and other financial instruments. The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with a documented investment strategy and information is provided internally on that basis to the Board. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". Investments are included initially at fair value which is taken to be their cost, including expenses incidental to purchase. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

All purchases and sales are accounted for on a trade date basis.

c) Accounting for reserves

Gains and losses on sales of investments and any other capital charges are included in the Income Statement and dealt with in the capital reserve. Increases and decreases in the valuation of investments held at the year end and foreign exchange gains and losses on cash balances held at the year end are also included in the Income Statement and dealt with in the capital reserve. The cost of repurchasing the Company's own shares for cancellation including the related stamp duty and transaction costs is charged to the distributable element of the capital reserve. The costs relating to the issue of new Ordinary shares are charged to the share premium account.

d) Dividends

In accordance with FRS 102 the final dividend is included in the financial statements in the year that it is approved by shareholders.

e) Income

Dividends receivable on listed equity shares are recognised on the ex-dividend date as a revenue return, and the return on zero dividend preference shares is recognised as a capital return.

Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established.

Special dividends receivable are taken to capital where relevant circumstances indicate that the dividends are capital in nature.

Notes to the Financial Statements *(continued)*

Income from fixed-interest securities is recognised as revenue on a time apportionment basis so as to reflect their effective yield.

Income from securities where the return is linked to an inflation index is recognised on a time apportionment basis so as to reflect their effective yield, including the anticipated inflationary increase in their redemption value. The element of the total effective yield that relates to the inflationary increase in their redemption value is considered to represent a capital return, and is included in the Income Statement as such in accordance with the SORP.

f) Expenses

All expenses are charged to revenue and include, where applicable, value added tax ("VAT").

g) Taxation policy

Current tax payable is based on the taxable profit for the year. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Owing to the Company's status as an investment trust, and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation of investments.

h) Other debtors and creditors

Other debtors and creditors do not carry any interest, are short-term in nature and initially recognised at fair value and then held at amortised cost, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

i) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentational currency of the Company. The directors, having regard to the currency of the Company's share capital and the predominant currency in which the Company operates, have determined the functional currency to be sterling.

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

j) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- realised foreign currency differences of a capital nature; and
- unrealised foreign currency differences of a capital nature.

k) Repurchases of shares into treasury and subsequent re-issue

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in treasury are subsequently cancelled, the nominal value of those shares is transferred out of "called-up share capital" and into "capital redemption reserve".

The sales proceeds of treasury shares re-issued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

Notes to the Financial Statements *(continued)*

2 Investment income

	2023 £'000	2022 £'000
Income from investments:		
Interest from UK bonds	**6,049**	1,584
Income from UK equity and non-equity investments	**11,057**	8,163
Interest from overseas bonds	**4,973**	2,083
Income from overseas equity and non-equity investments	**2,767**	2,847
Total income from investments	**24,846**	14,677

	2023 £'000	2022 £'000
Total income comprises:		
Dividends	**10,731**	7,868
Property Income and Interest Distributions	**3,022**	3,142
Interest	**11,093**	3,667
Deposit interest	**81**	–
Other income	**12**	–
	24,939	14,677

	2023 £'000	2022 £'000
Income from investments comprises:		
Listed in the UK	**17,106**	9,747
Listed overseas	**7,740**	4,930
	24,846	14,677

3 Investment management fee

	2023 £'000	2022 £'000
Investment management fee	**4,620**	3,627

The Company's Investment Manager CG Asset Management Limited received an annual management fee equal to 0.60% of the net assets of the Company up to £120m, 0.45% on net assets above £120m to £500m and 0.30% thereafter (2022: the same basis). At 31 March 2023 £1,177,000 (31 March 2022: £1,020,000) was payable. The terms of the investment management agreement are detailed on page 26.

Notes to the Financial Statements *(continued)*

4 Other expenses

	2023 £'000	2022 £'000
Company secretarial, administration and accountancy services	**293**	154
Directors' remuneration (refer to Directors' Remuneration Report)	**141**	129
Depositary fees	**116**	127
Stock Exchange and FCA fees	**75**	45
Custody services	**64**	37
Registrar fees	**44**	41
Fees payable to Company's auditors for the audit of Company financial statements	**43**	38
General expenses	**198**	156
	974	727

The Company registered for VAT in 2022 and the above expenses exclude VAT where appropriate. Irrecoverable VAT is included within general expenses.

5 Taxation

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Overseas withholding tax	**103**	**–**	**103**	44	–	44
Corporation tax	**1,636**	**–**	**1,636**	466	–	466
Current tax charge	**1,739**	**–**	**1,739**	510	–	510

The tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before tax	**19,345**	**(68,996)**	**(49,651)**	10,323	58,405	68,728
Return at the standard rate of UK corporation tax	**3,676**	**(13,109)**	**(9,433)**	1,961	11,097	13,058
Adjusted for the effects of:						
Non-taxable UK franked dividends	**(2,040)**	**–**	**(2,040)**	(1,495)	–	(1,495)
Non-taxable capital returns*	**–**	**13,109**	**13,109**	–	(11,097)	(11,097)
Irrecoverable overseas withholding tax	**103**	**–**	**103**	44	–	44
Current tax charge	**1,739**	**–**	**1,739**	510	–	510

* The Company is an Investment Trust as defined by section 1158 of the Corporation Tax Act 2010 and capital gains are not subject to UK corporation tax within an Investment Trust.

As the Company's has no unrelieved management expenses, a corporation tax charge of £1,636,000 is payable in respect of the year ended 31 March 2023 (period to 31 March 2022: £466,000).

Notes to the Financial Statements *(continued)*

6 Dividends

	2023 £'000	2022 £'000
Ordinary shares		
2022 dividend paid 15 July 2022 (46p per share)	**10,558**	–
2021 dividend paid 16 July 2021 (45p per share)	**–**	6,771

The 2022 dividend was paid on 15 July 2022 to shareholders on the register on 10 June 2022 when there were 22,951,270 Ordinary shares in issue. The 2021 dividend was paid on 16 July 2021 to shareholders on the register on 11 June 2021 when there were 15,047,463 Ordinary shares.

The Directors have recommended to shareholders a final dividend of 60p per share for the year ended 31 March 2023. If approved, this dividend will be paid to shareholders on 10 July 2023. This dividend is subject to approval by shareholders at the AGM and, therefore, in accordance with FRS 102, it has not been included as a liability in these financial statements. The total estimated dividend to be paid, based on the number of shares in issue at 31 March 2023, is £15,755,000. However the actual amount of the dividend to be paid will be based on the number of shares in issue on 2 June 2023, the dividend record date.

	2023 £'000	2022 £'000
Revenue available for distribution by way of dividend for the year	**17,606**	9,813
Proposed final dividend of 60p for the year ended 31 March 2023	**(15,755)**	(9,610)
	1,851	203

7 Net return per Ordinary share

The net return per Ordinary share of (206.29)p (2022: 394.95p) is based on the total net losses after taxation for the financial year of £51,390,000 (2022: net gains of £68,218,000) and on 24,912,016 (2022: 17,272,426) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

Revenue return per Ordinary share of 70.67p (2022: 56.81p) is based on the net revenue gains after taxation of £17,606,000 (2022: £9,813,000) and on 24,912,016 (2022: 17,272,426) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

Capital return per Ordinary share of (276.96)p (2022: 338.14p) is based on the net capital losses for the financial year of £68,996,000 (2022: net gains of £58,405,000) and on 24,912,016 (2022: 17,272,426) Ordinary shares, being the weighted average number of Ordinary shares in issue in each period.

The Company does not have dilutive securities. Therefore the basic and diluted returns per share are the same.

Notes to the Financial Statements *(continued)*

8 Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Investments comprise –		
Listed investment companies:		
Ordinary shares UK	**173,176**	228,809
Ordinary shares overseas	**38,303**	164,043
Zero dividend preference shares UK	**14,594**	22,415
Listed UK government bonds	**362,695**	115,735
Listed UK non-government bonds	**101,410**	74,268
Listed overseas government bonds	**375,674**	289,572
Listed overseas non-government bonds	**55,783**	16,618
Exchange traded funds	**130,166**	80,433
	1,251,801	991,893
Opening cost of investments	**934,906**	556,030
Unrealised appreciation	**56,987**	38,200
Opening fair value of investments	**991,893**	594,230
Additions at cost	**1,042,262**	840,165
Effective yield adjustment*	**301**	(135)
Sales proceeds	**(714,206)**	(500,242)
(Losses)/gains on investments	**(68,449)**	57,875
Closing fair value of investments	**1,251,801**	991,893
Closing book cost of investments	**1,259,886**	934,906
Unrealised (depreciation)/appreciation	**(8,085)**	56,987
	1,251,801	991,893
Realised (losses)/gains on disposals	**(3,377)**	39,088
(Decrease)/increase in unrealised appreciation	**(65,072)**	18,787
Net (losses)/gains on investments	**(68,449)**	57,875

The Company received proceeds of £714,206,000 (2022: £500,242,000) from investments sold in the year. The average book cost of these investments when they were purchased was £717,583,000 (2022: £461,154,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of investments. Included within these proceeds are capital repayments of £250,000 (2022: £565,000), which are considered to be capital dividends.

The geographical spread of investments is shown on page 9.

The total transaction costs on additions were £531,000 (2022: £546,000) and on sales were £179,000 (2022: £124,000). These costs are included in the book cost of acquisitions and the net proceeds of sales.

* See Income section of Accounting Policies on page 56 for a fuller description.

Notes to the Financial Statements *(continued)*

9 Debtors

	2023 £'000	2022 £'000
Due from brokers	**4,661**	13,333
Accrued interest	**2,792**	1,573
Dividends receivable	**231**	417
Prepayments and other debtors	**186**	51
Taxation	**22**	12
	7,892	15,386

10 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Due to brokers	**11,406**	6,626
Accruals and deferred income	**1,309**	1,168
Corporation tax	**1,005**	243
Other creditors	**20**	18
	13,740	8,055

11 Called-up share capital

	2023 £'000	2022 £'000
Allotted and fully paid Ordinary shares of 25p each		
At the beginning of the year: 20,891,975 Ordinary shares (2022: 13,813,113)	**5,223**	3,453
Allotted during the year: 5,688,288 Ordinary shares (2022: 7,078,862)	**1,422**	1,770
At the end of the year: 26,580,263 Ordinary shares (2022: 20,891,975)	**6,645**	5,223

During the year to 31 March 2023, the Company issued 5,688,288 (2022: 7,078,862) new Ordinary shares for cash proceeds totalling £287,166,000 (2022: £354,342,000). No Ordinary shares (2022: nil) were re-issued from treasury by the Company.

During the year to 31 March 2023, 321,500 (2022: nil) Ordinary shares were repurchased by the Company for a total cost of £15,334,000 (2022: nil). No shares were purchased for cancellation during the year (2022: nil) and at the year-end 321,500 shares were held in treasury (2022: nil).

Notes to the Financial Statements *(continued)*

12 Net asset value per Ordinary share

The net asset value per Ordinary share and the net asset value attributable to the Ordinary shares at the year end, calculated in accordance with the Articles, were as follows:

Net asset value per Ordinary share attributable to

	2023	2022
Ordinary shares	**4,797.3p**	5,025.1p

Net assets attributable to

	2023 £'000	2022 £'000
Ordinary shares	**1,259,719**	1,049,835

Net asset value per Ordinary share is based on the net assets, as shown above, and on 26,258,763 (2022: 20,891,975) Ordinary shares, being the number of Ordinary shares in issue at the year end.

13 Reconciliation of net return on ordinary activities before tax to net cash inflow from operating activities

	2023 £'000	2022 £'000
Net return on ordinary activities before tax	**(49,651)**	68,728
Adjustments for:		
Capital return before tax	**68,996**	(58,405)
Increase in prepayments	**(5)**	(32)
Increase in accruals and accrued income	**39**	349
Overseas withholding tax paid	**(115)**	(44)
Increase in recoverable tax	**(10)**	(3)
UK Corporation tax paid	**(874)**	(596)
Decrease/(increase) in dividends receivable	**186**	(228)
Increase in accrued interest	**(1,520)**	(540)
(Losses)/gains on foreign currency transactions	**(547)**	530
Net cash inflow from operating activities	**16,499**	9,759

Notes to the Financial Statements *(continued)*

14 Financial instruments

The Company has the following financial instruments:

	2023 £'000	2022 £'000
Financial assets at fair value through profit or loss		
– Investments held at fair value through profit and loss	**1,251,801**	991,893
Financial assets that are debt instruments measured at amortised cost		
– Cash at bank and at hand	**13,766**	50,611
– Other debtors	**4,779**	13,333
– Accrued income	**3,023**	1,978
	1,273,369	1,057,815

	2023 £'000	2022 £'000
Financial liabilities measured at amortised cost		
– Other creditors	**11,406**	6,626
– Accruals	**1,309**	1,168
	12,715	7,794

The Company's financial instruments comprise:

- investment company ordinary shares, zero dividend preference shares, exchange traded funds and fixed and index-linked securities that are held in accordance with the Company's investment objective;
- cash and liquid resources that arise directly from the Company's operations; and
- debtors and creditors.

The main risks arising from the Company's financial instruments are market risk, interest rate risk, foreign currency risk and credit risk. The Board regularly reviews and monitors the management of each of these risks and they are summarised below.

Other debtors and creditors do not carry any interest and are short-term in nature and accordingly are stated at their nominal value.

Market risk

Market risk arises mainly from uncertainty about the future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Company invests in the shares of other investment companies. These companies may use borrowings or other means to gear their balance sheets which may result in returns that are more volatile than the markets in which they invest, and the market value of investment company shares may not reflect their underlying assets.

To mitigate these risks, the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined financial, market and sector analysis, with the emphasis on long-term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the systemic risk and the risk arising from factors specific to a country or sector. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy. A list of the largest investments held by the Company is shown on pages 10 to 11 and the full portfolio listing is available on the Company's website at www.capitalgearingtrust.com. All investments are stated at bid value, which in the Directors' opinion is equal to fair value.

Notes to the Financial Statements *(continued)*

14 Financial instruments (continued)

Price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets to an increase or decrease of 10% (2022: 10%) in market prices. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's investments at the Statement of Financial Position date with all other variables held constant.

	2023		2022	
	10% increase in market prices £'000	10% decrease in market prices £'000	10% increase in market prices £'000	10% decrease in market prices £'000
Income Statement – net return after tax				
Revenue return	**(374)**	**374**	(294)	294
Capital return	**125,180**	**(125,180)**	99,190	(99,190)
Total return after taxation	**124,806**	**(124,806)**	98,896	(98,896)
Change to net assets attributable to shareholders	**124,806**	**(124,806)**	98,896	(98,896)

Interest rate risk

Bond and preference share yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The Investment Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bonds and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a price different from its purchase level and a profit or loss may be incurred.

Interest rate sensitivity

As at 31 March 2023, the Investment Manager's investment models indicated that the valuation of fixed income instruments, consisting of government bonds, corporate bonds and ZDPs, would fall by £15,818,000 (2022: £18,899,000) if interest rates increased by 1%. However, if interest rates reduced by 1%, then the value of the securities would increase by £17,750,000 (2022: £21,267,000). This analysis only relates to capital return and the interest rate movement is in isolation of other variables.

The following table illustrates the sensitivity of the net revenue return after taxation for the year and the net assets to an increase or decrease of 1% (2022: 1%) in regard to the Company's monetary financial assets and financial liabilities. The financial assets affected by interest rates are funds held by the custodian on deposit. There are no financial liabilities affected by interest rates. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments at the Statement of Financial Position date with all other variables held constant.

	2023		2022	
	1% increase in interest rates £'000	1% decrease in interest rates £'000	1% increase in interest rates £'000	1% decrease in interest rates £'000
Income Statement – net return after tax				
Revenue return	**112**	**(112)**	410	(410)
Change to net assets attributable to shareholders	**112**	**(112)**	410	(410)

14 Financial instruments (continued)

The interest rate profile of the Company's assets at 31 March 2023 was as follows:

	Total (as per Statement of Financial Position) £'000	Floating rate £'000	Index-linked £'000	Other fixed rate £'000	Assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment trusts & other funds	356,239	–	–	–	356,239	–	–
UK index-linked government bonds	267,376	–	267,376	–	–	0.33	4.16
UK index-linked non-government bonds	12,817	–	12,817	–	–	3.14	4.85
UK government bonds	95,319	–	–	–	95,319	–	–
UK non-government bonds	88,593	–	–	88,593	–	5.36	7.28
Overseas index-linked government bonds	315,754	–	315,754	–	–	1.01	10.18
Overseas index-linked non-government bonds	5,601	–	5,601	–	–	3.40	5.47
Overseas government bonds	59,920	–	–	22,362	37,558	0.67	0.26
Overseas non-government bonds	50,182	–	–	50,182	–	5.59	8.57
Invested funds	1,251,801	–	601,548	161,137	489,116		
Cash at bank	13,766	13,766	–	–	–	–	–
Other debtors	7,892	–	–	–	7,892	–	–
Liabilities							
Creditors	(13,740)	–	–	–	(13,740)	–	–
Total net assets	**1,259,719**	**13,766**	**601,548**	**161,137**	**483,268**		

Notes to the Financial Statements *(continued)*

14 Financial instruments (continued)

The interest rate profile of the Company's assets at 31 March 2022 was as follows:

	Total (as per Statement of Financial Position) £'000	Floating rate £'000	Index-linked £'000	Other fixed rate £'000	Assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment trusts & other funds	495,700	–	–	–	495,700	–	–
UK index-linked government bonds	75,146	–	75,146	–	–	0.38	1.87
UK index-linked non-government bonds	18,175	–	18,175	–	–	3.64	1.99
UK government bonds	40,589	–	–	–	40,589	–	–
UK non-government bonds	52,825	–	–	52,825	–	3.93	2.21
Overseas index-linked government bonds	289,572	–	289,572	–	–	0.68	8.33
Overseas index-linked non-government bonds	4,276	–	4,276	–	–	1.44	7.71
Overseas non-government bonds	15,610	–	–	15,610	–	2.99	1.88
Invested funds	991,893	–	387,169	68,435	536,289		
Cash at bank	50,611	50,611	–	–	–	–	–
Other debtors	15,386	–	–	–	15,386	–	–
Liabilities							
Creditors	(8,055)	–	–	–	(8,055)	–	–
Total net assets	1,049,835	50,611	387,169	68,435	543,620		

Fair value of financial assets and liabilities

Financial Reporting Standard 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Level 3: valued using inputs that are unobservable and are valued by the Directors using International Private Equity and Venture Capital Valuation ('IPEV') guidelines, such as earnings multiples, recent transactions and net assets, which equate to their fair values.

The Company's assets are measured at fair value through profit or loss. The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Notes to the Financial Statements *(continued)*

14 Financial instruments (continued)

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 March 2023 as follows:

Financial assets at fair value through profit or loss	2023 Level 1 £000	2023 Level 2 £000	2023 Level 3 £000	2023 Total £000	2022 Level 1 £000	2022 Level 2 £000	2022 Level 3 £000	2022 Total £000
Quoted securities	**1,251,177**	**–**	**–**	**1,251,177**	988,276	2,842	–	991,118
Delisted equities	**–**	**–**	**624**	**624**	–	–	775	775
Net fair value	**1,251,177**	**–**	**624**	**1,251,801**	988,276	2,842	775	991,893

Quoted equities included in fair value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments has been determined by reference to their quoted bid prices at the reporting date.

Delisted investments

The fair value of the Company's investments in unquoted stocks have been determined by reference to primary valuation techniques described in note 1(b).

During the year to 31 March 2023, two assets (Jupiter Emerging and Frontier Income Trust and Fundsmith Emerging Equities Trust) were moved from Level 1 to Level 3 as they delisted. During 2022 two assets (Gabelli Value Plus Investment Trust and Weiss Korea Opportunities Fund (Realisation Shares)) were moved from Level 1 to Level 3 as they delisted.

A reconciliation of fair value measurements in Level 3 is set out in the following table:

	2023 Total £'000	2022 Total £'000
Opening balance	**775**	426
Purchases	**–**	–
Sales	**(2,607)**	(9,949)
Transfers	**2,599**	9,335
Total gains/(losses) on investments in the Income Statement:		
on assets sold	**8**	614
on assets held at the end of the year	**(151)**	349
Closing balance	**624**	775

Notes to the Financial Statements *(continued)*

14 Financial instruments (continued)

Foreign currency risk

The Company's investments in foreign currency securities are subject to the risk of currency fluctuations. The Investment Manager monitors current and forward exchange rate movements in order to mitigate this risk. The Company's investments denominated in foreign currencies are:

	2023		2022	
	Cash and Investments £'000	Accrued interest £'000	Cash and Investments £'000	Accrued interest £'000
Canadian Dollar	**16,693**	**93**	–	–
Euro	**77,899**	**57**	78,916	5
US Dollar	**326,699**	**789**	282,579	473
Swedish Krona	**41,772**	**168**	39,449	50
Norwegian Krone	**10,776**	**10**	7,104	–
Australian Dollar	**8,676**	**14**	7,926	13
Japanese Yen	**67,748**	**2**	36,283	2
	550,263	**1,133**	452,257	543

Foreign currency sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets to an increase or decrease of 10% in the rates of exchange of foreign currencies relative to sterling. This level of change is considered to be reasonably possible based on an observation of current market conditions. The sensitivity analysis is based on the Company's foreign currency investments at the Statement of Financial Position date with all other variables held constant.

	2023		2022	
	10% appreciation of sterling £'000	10% depreciation of sterling £'000	10% appreciation of sterling £'000	10% depreciation of sterling £'000
Income statement – net return after taxation				
Revenue return	**(627)**	**627**	(399)	399
Capital return	**(55,026)**	**55,026**	(45,226)	45,226
Total return after taxation	**(55,653)**	**55,653**	(45,625)	45,625
Net assets attributable to shareholders	**(55,653)**	**55,653**	(45,625)	45,625

Liquidity risk

Liquidity risk is not considered to be significant as the Company has no bank loans or other borrowings and the majority of the Company's assets are investments in quoted securities which are readily realisable. All liabilities are payable within three months.

Notes to the Financial Statements *(continued)*

14 Financial instruments (continued)

Credit risk

In addition to interest rate risk, the Company's investment in bonds, the majority of which are government bonds, is also exposed to credit risk which reflects the ability of a borrower to meet its obligations. Generally, the higher the quality of the issue, the lower the interest rate at which the issuer can borrow money. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. As at 31 March 2023, 73% (2022: 55%) of the portfolio was held in fixed income instruments. Of these, 58% (2022: 39%) was in government bonds issued by governments which are rated AA or better. The Investment Manager judges these to have very low credit risk given that each of the issuers are monetarily sovereign, that is to say they borrow in their own currency. Of the 14% (2022: 11%) of the portfolio that was held in corporate debt, the majority is investment grade and relatively short duration. Cash balances of 1% (2022: 5%) were held with Northern Trust which has a short-term credit rating of A-1 with Standard & Poor's. Investment transactions are carried out with a number of brokers whose standing is reviewed periodically by the Investment Manager. The Investment Manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of his normal scrutiny of existing and prospective investments and reports regularly to the Board. Cash is held with a reputable bank with a high-quality external credit rating.

A further credit risk is the failure of a counterparty to a transaction to discharge its obligations under that transaction, which could result in a loss to the Company. The following table shows the maximum credit risk exposure.

Credit risk exposure

Compared to the Statement of Financial Position, the maximum credit risk exposure is:

	2023		2022	
	Statement of Financial Position £'000	Maximum exposure £'000	Statement of Financial Position £'000	Maximum exposure £'000
Fixed assets – investments at fair value through profit and loss	**1,251,801**	**910,156**	991,893	496,193
Debtors – amounts due from the custodian, dividends and interest receivable	**7,802**	**7,802**	15,311	15,311
Cash at bank	**13,766**	**13,766**	50,611	50,611
	1,273,369	**931,724**	1,057,815	562,115

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the capital and income return to its equity shareholders. The Company's capital comprises its equity share capital and reserves. The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. Further details can be found in the Strategic Report.

15 Related party transactions

With the exception of the management fee (as disclosed on page 26), and the Directors' fees and shareholdings (as disclosed in the Directors Remuneration Report on pages 37 and 38), there have been no related party transactions in the year ended 31 March 2023.

16 Company information

Capital Gearing Trust P.l.c. is a closed-ended investment company, registered in Northern Ireland No NI005574, with its Ordinary shares listed on the London Stock Exchange. The address of the registered office is Murray House, Murray Street, Belfast BT1 6DN.

Alternative Performance Measures

The Alternative Performance Measures ('APMs') detailed below are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant to an investment trust. Other terms detailed below are for reference.

NAV Total Return

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

		2023	2022
Opening NAV per share	A	**5,025.1p**	4,590.2p
Closing NAV per share	B	**4,797.3p**	5,025.1p
% change in NAV	C=(B-A)/A	**-4.5%**	9.5%
Impact of dividend reinvested	D	**0.9%**	1.0%
NAV total return	E=C+D	**-3.6%**	10.5%

Share Price Total Return

Share price total return measures the increase or decrease in share price plus the dividends paid in the year, which are assumed to be reinvested at the share price at the time that the shares are quoted ex-dividend.

		2023	2022
Opening share price	A	**5,140.0p**	4,715.0p
Closing share price	B	**4,730.0p**	5,140.0p
% change in share price	C=(B-A)/A	**-8.0%**	9.0%
Impact of dividend reinvested	D	**0.9%**	1.0%
Share price total return	E=C+D	**-7.1%**	10.0%

Premium/Discount to NAV

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

		2023	2022
NAV per share	A	**4,797.3p**	5,025.1p
Share price	B	**4,730.0p**	5,140.0p
Discount/premium	C=(B-A)/A	**-1.4%**	2.3%

Alternative Performance Measures *(continued)*

MSCI UK Index Total Return

The MSCI UK Index has been selected by the Board as the Company's equity performance comparator for the purposes of comparing the Company's NAV and share price performance, however the MSCI UK Index is not technically an APM. The total return on the MSCI UK Index, on a closing market price basis, assumes that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend.

Ongoing Charges

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

The following calculation shows the ongoing charges ratio excluding the costs suffered within underlying investee funds:

		2023 £0,000	2022 £0,000
Investment Management fee		**4,620**	3,627
Administrative expense		**974**	727
Fixed element of DCP fee		**30**	30
Ongoing charges	A	**5,624**	4,384
Average net assets during the year	B	**1,223,668**	848,922
Ongoing charges ratio excluding costs of underlying funds	C=A/B	**0.46%**	0.52%

The following calculation shows the additional costs indirectly suffered within underlying investee funds (for example, investment trusts held in the Company's investment portfolio) and the ongoing charges ratio including these costs:

		2023	2022
Ongoing cost ratio from above	A	**0.46%**	0.52%
Impact of underlying investee fund costs	B	**0.18%**	0.26%
Ongoing charges ratio including costs of underlying funds	C=A+B	**0.64%**	0.78%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the sixtieth Annual General Meeting of the Company will be held at the Numis Auditorium, 45 Gresham Street, London EC2V 7BF on Wednesday, 5 July 2023 at 11.30 a.m. for the following purposes:

Ordinary business

To consider, and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the Report of the Directors and the audited financial statements for the year ended 31 March 2023.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2023, together with the report of the auditor thereon.
3. To declare a final dividend of 60 pence per Ordinary share.
4. To re-elect Jean Matterson as a Director.
5. To re-elect Robin Archibald as a Director.
6. To re-elect Paul Yates as a Director.
7. To re-elect Wendy Colquhoun as a Director.
8. To re-appoint BDO LLP as auditors of the Company.
9. To authorise the Directors to determine the remuneration of the auditors.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolutions 10 and 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions:

Ordinary resolutions

Aggregate Directors' remuneration

10. To increase the aggregate limit on Directors' remuneration from £180,000 to £230,000 per annum.

Directors' authority to allot shares

11. THAT the Directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to a maximum aggregate nominal value of £2,169,646.75 (being one third of the issued share capital of the Company as at 22 May 2023, being the latest practicable date prior to the publication of this Notice, and representing 8,678,587 Ordinary shares of 25 pence each), provided that such authority shall expire at the conclusion of the AGM of the Company to be held in 2024, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

Directors' authority to disapply pre-emption rights

12. THAT the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 11 above or otherwise as if section 561 of the Act did not apply to any such allotment, and be empowered pursuant to section 573 of the Act to sell relevant equity securities (within the meaning of section 560 of the Act) if, immediately before the sale, such equity securities were held by the Company as treasury shares (as defined in section 724 of the Act ("treasury shares")), for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares, in connection with and pursuant to:

    a) an offer of equity securities open for acceptance for a period fixed by the Board where the equity securities respectively attributable to the interests of holders of Ordinary shares of 25 pence each in the Company (the "Ordinary shares") are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them but subject to such exclusions or other arrangements in connection with the issue as the Board may consider necessary, appropriate or expedient to deal with equity securities representing fractional entitlements or to deal with legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

Notice of Annual General Meeting *(continued)*

b) otherwise than pursuant to sub-paragraph a) above, up to an aggregate nominal value of £1,301,788.00 or, if less, the number representing 20% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed; and

this power shall expire at the conclusion of the AGM of the Company to be held in 2024, unless previously renewed, varied or revoked by the Company in general meeting and provided that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

Authority to make market purchases of the Company's own shares

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of Ordinary shares of 25 pence each in the Company (the "Ordinary shares"), provided that:

a) the maximum aggregate number of Ordinary shares to be purchased shall be 3,902,760 or, if less, the number representing 14.99% of the issued share capital of the Company at the date of the meeting at which this resolution is proposed;

b) the minimum price which may be paid for an Ordinary share shall be 25 pence;

c) the maximum price, excluding expenses, which may be paid for an Ordinary share shall be an amount equal to the higher of:

(i) 105% of the average of the middle market quotations for an Ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such purchase is made; and

(ii) the higher of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out;

d) the authority hereby conferred shall expire at the conclusion of the AGM of the Company to be held in 2024 unless such authority is renewed prior to such time; and

e) the Company may enter into a contract to purchase Ordinary shares under this authority prior to the expiry of such which will or may be completed or executed wholly or partly after the expiration of such authority.

Notice of general meetings

14 THAT a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board

Juniper Partners
Company Secretary

Registered Office:
Carson McDowell LLP
Murray House
Murray Street
Belfast BT1 6DN

23 May 2023

Location of Annual General Meeting

Numis Auditorium
45 Gresham Street
London EC2V 7BF
at 11.30 a.m. on Wednesday, 5 July 2023

Shareholders are encouraged to vote in favour of the resolutions to be proposed at the AGM by form of proxy. If shares are not held directly (including through any platform) shareholders are encouraged to arrange for their nominee to vote on their behalf.

Notice of Annual General Meeting *(continued)*

Notes

1. Members are entitled to attend, speak and vote at the AGM. A member entitled to attend, speak and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote instead of him/her. The proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to different shares.

   To have the right to vote at the AGM (and also for the purposes of calculating how many votes a member may cast on a poll) shareholders must be registered in the Register of Members of the Company no later than 6.30 p.m. on the day which is two days (excluding non-working days) before the day of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the meeting.

2. A form of proxy is enclosed with this notice, together with a pre-paid reply envelope. Completion and return of such form of proxy either by post or through www.investorcentre.co.uk/eproxy or submission of any CREST Proxy Instruction (as described in note 7 below) will not prevent a member from subsequently attending the AGM and voting in person if they so wish.

3. To be valid any form of proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed, or certified copy thereof, must be received by post or (during normal business hours only) by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or through www.investorcentre.co.uk/eproxy or no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.

4. A person who is not a member of the Company, but has been nominated by a member of the Company (the "relevant member") under section 146 of the Companies Act 2006 to enjoy information rights (the "nominated person"), does not have a right to appoint any proxies under note 1 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody else appointed as a proxy for the AGM. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he/she may have a right under an agreement with the relevant member to give instructions as to the exercise of voting rights. It is important to remember that a nominated person's main contact in terms of their investment remains as the relevant member (or perhaps the custodian or broker who administers the investment) and a nominated person should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and holding (including any administration thereof). The only exception to this is where the Company writes to a nominated person directly for a response.

5. In the case of joint holders the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com).

   The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of the receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

8. Any member attending the AGM has the right to ask questions. Shareholders are also invited to submit their questions to the Board in advance and the answers to these questions will be posted on our website after the AGM. Please submit questions to the Board using the email address company.secretary@capitalgearingtrust.com.

9. Resolutions 1 to 11 are proposed as ordinary resolutions which, to be passed, require more than half of the votes cast to be in favour of the resolution. Resolutions 12 to 14 are proposed as special resolutions which, to be passed, require at least three-quarters of the votes cast to be in favour of the resolution.

10. As at 22 May 2023 (being the last practicable date prior to the publication of this document) the total number of Ordinary shares of 25p each in issue with voting rights attached was 26,035,763.

11. Biographical details of the Directors seeking election and re-election can be found on pages 12 and 13.

12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.capitalgearingtrust.com.

13. The members of the Company may require the Company (without payment) to publish, on the website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the registered address of the Company.

Shareholder Information

Financial Calendar

31 March	May	July	November
Financial year end	Annual results for the year ended 31 March 2023 published	Annual General Meeting	Interim results for the six months ended 30 September
	Annual Report published	Dividend payment date	Half Year Report published

Financial Reporting
Copies of the Company's Annual and Half-Year Reports may be obtained from the Company Secretary and electronic copies can be accessed on the Company's website www.capitalgearingtrust.com.

Contacting the Board
Any shareholders wishing to communicate directly with the Board should do so via the Company Secretary.

Capital Gains Tax
As at 31 March 1982 the adjusted value for capital gains tax purposes of the 25p Ordinary shares was 21.25p.

Frequency of NAV Publication
Daily

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

How to Invest
Via your bank, stockbroker, execution only platforms or financial advisor.

Sources of Further Information

Company's website	www.capitalgearingtrust.com
AIC	www.theaic.co.uk

For registrar queries contact Computershare on 0370 873 5864.

Share Identification Codes

SEDOL:	0173861
ISIN:	GB0001738615
BLOOMBERG:	CGT:LN
TIDM:	CGT
FT:	CGT:LSE
LEI:	213800T2PJTPVF1UGW53

Nominee Share Code
The Company will arrange for copies of shareholder documents to be made available on request to interested parties and operators of nominee accounts.

Disability Act
Access for the hard of hearing to the services of the registrar to the Company, Computershare Investor Services PLC, is provided by their contact centre's text phone service on 0370 702 0005. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the RNID) you should dial 18001 followed by the number you wish to dial.

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

Key Information Document
In line with the European regulations for packaged investment products, which came into force in January 2018, a key information document (KID) has been produced for the Company by its AIFM and is available on the Company's website. The KID, which is not the responsibility of the Company, is produced in a prescribed form, with little scope for deviation. Investor's should note that the procedures for calculating risks, costs and potential returns contained in the KID are prescribed by law. These may not reflect the expected returns for the Company and anticipated returns cannot be guaranteed. The costs disclosed in the KID include transaction charges and look through costs, being the operating costs of investee funds, in addition to the ongoing charges of the Company.

Shareholder Information *(continued)*

Non-Mainstream Pooled Investment Rules

The Company's shares are 'excluded securities' for the purposes of the rules relating to non-mainstream pooled investment products. This means they can be recommended by independent financial advisors to their ordinary retail clients, subject to normal suitability requirements.

Alternative Investment Fund Managers Directive ('AIFMD')

The Company is an Alternative Investment Fund ("AIF") as defined by the AIFMD and CG Asset Management is the Company's Alternative Investment Fund Manager ("AIFM"). CG Asset Management is authorised as a Full Scope UK AIFM.

Although the investment policy of the Company permits gearing, including the use of derivatives, the Board has no current intention to employ gearing.

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM, CG Asset Management, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy and the numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ending 30 April 2022) are available from CG Asset Management on request.

Leverage, for the purposes of the AIFM Directive, is any method which increases the company's exposure to stockmarkets whether through borrowings, derivatives, or any other means. It is expressed as a ratio of the Company's exposure to its NAV. In summary, the gross method measures the Company's exposure before applying hedging or netting arrangements. The commitment method allows certain hedging or netting arrangements to be offset. As at 31 March 2023 and 2022, the Company had no hedging or netting arrangements. The Company's maximum and actual leverage levels at 31 March 2023 and 2022 are shown below:

	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	100%	100%

The investor disclosure document and all additional periodic disclosures required in accordance with the requirements of the FCA Rules implementing the AIFMD in the UK are made available on the Company's website (www.capitalgearingtrust.com).

Shareholder Analysis

Beneficial owner analysis

	31 March 2023 % of Issued share capital	31 March 2022 % of Issued share capital
Platforms/Execution only brokers	**40.2**	40.3
Wealth management	**16.7**	14.7
Private client stockbrokers	**15.7**	18.2
Private client fund management	**5.3**	6.4
Asset managers	**4.3**	3.5
Private investors	**3.2**	3.5
Other*	**14.6**	13.4
	100.0	100.0

Source: RD:IR

* which includes pension funds, insurance corporations and non-financial corporations

Historic Data

to 31 March, with exception of data from 2013 to 2021 which are to 5 April

Key Data

Year	Total Net Assets (£m)	Market Capitalisation (£m)	Shares in issue (with voting rights)	NAV per Share (pence)	Share Price (pence)	Discount/ premium to NAV	Ongoing Charges Ratio
2023	**1,259.7**	**1,242.0**	**26,258,763**	**4,797.3**	**4,730.0**	**-1.4%**	**0.46%**
2022	1,049.8	1,073.8	20,891,975	5,025.1	5,140.0	2.3%	0.52%
2021	634.0	651.3	13,813,113	4,590.2	4,715.0	2.7%	0.58%
2020	470.1	482.2	11,509,263	4,084.2	4,190.0	2.6%	0.65%
2019	321.9	328.9	7,886,589	4,082.0	4,170.0	2.2%	0.70%
2018	219.5	225.3	5,762,919	3,809.0	3,910.0	2.6%	0.77%
2017	169.5	172.4	4,453,174	3,805.0	3,870.5	1.7%	0.89%
2016	107.9	109.1	3,191,062	3,382.0	3,420.0	1.1%	1.04%
2015	96.5	97.1	2,926,906	3,297.6	3,316.5	0.6%	0.96%
2014	91.3	97.7	2,926,906	3,119.7	3,339.5	7.0%	1.24%
2013	93.5	100.1	2,921,906	3,198.9	3,425.0	7.1%	1.26%

Year	Earnings per Share (pence)	Total Dividend per Share (pence)	Share Price Total Return	NAV Total Return	MSCI UK Index Total Return	UK Retail Price Index (at 31 March)	UK Consumer Price Index (at 31 March)
2023	**70.67**	**60**	**-7.1%**	**-3.6%**	**5.6%**	**13.4%**	**10.1%**
2022	56.81	46	10.0%	10.5%	18.7%	9.0%	7.0%
2021	51.04	45	13.6%	13.9%	26.6%	1,5%	0.7%
2020	59.12	42	1.3%	0.8%	-24.8%	2.6%	1.5%
2019	51.12	35	7.4%	7.9%	7.9%	2.4%	1.9%
2018	37.04	27	1.5%	0.0%	1.8%	3.3%	2.5%
2017	18.26	20	13.8%	13.4%	25.5%	3.1%	2.3%
2016	16.91	20	3.7%	3.4%	-8.0%	1.6%	0.5%
2015	26.82	20	-0.7%	5.6%	5.6%	0.8%	0.0%
2014	10.77	16	-2.5%	-2.5%	10.7%	2.5%	1.6%
2013	21.32	16	13.6%	10.4%	13.5%	3.3%	2.8%

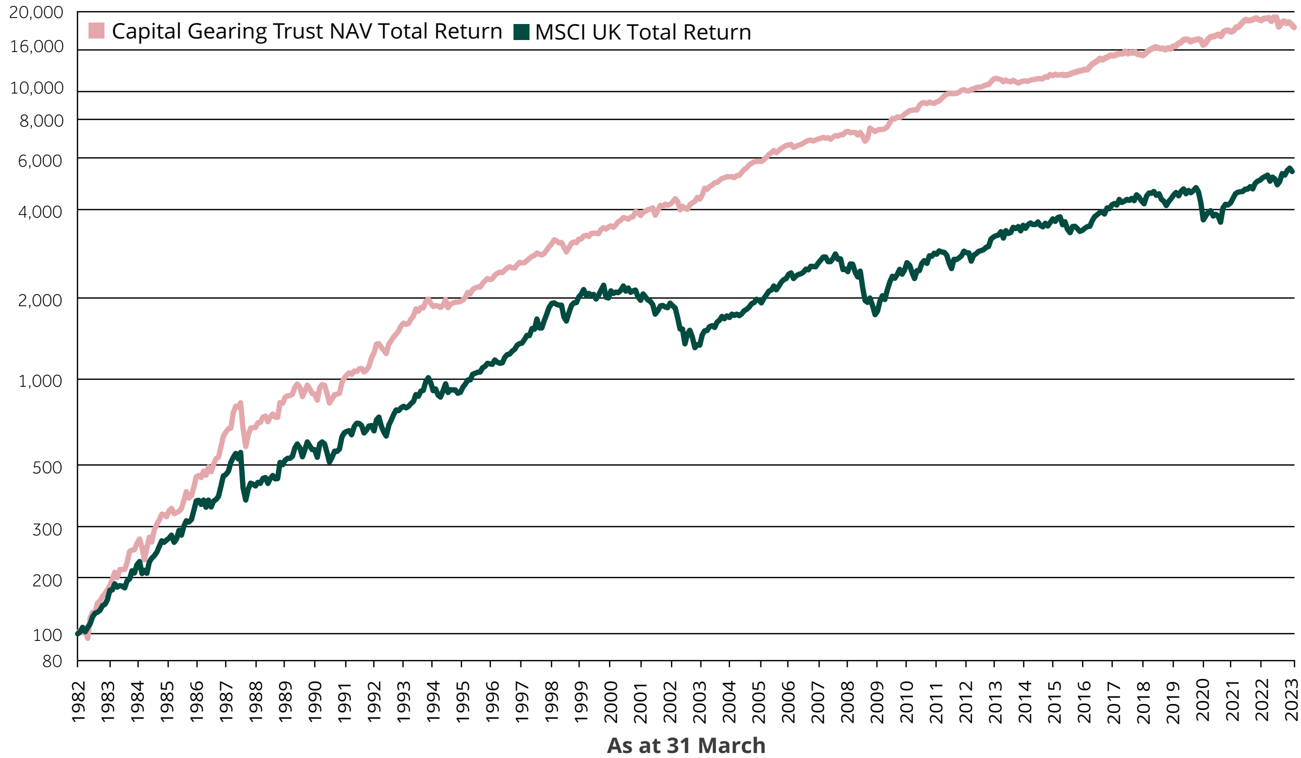
Historic Data *(continued)*

Allocation of portfolio

Year	Index-Linked Government Bonds	Conventional Government Bonds	Preference Shares/ Corporate Debt	Funds/ Equities	Cash	Gold
2023	**46.1%**	**12.3%**	**13.6%**	**25.9%**	**1.1%**	**1.0%**
2022	35.0%	3.9%	10.9%	44.1%	4.8%	1.3%
2021	29.9%	6.2%	10.3%	46.0%	5.8%	1.8%
2020	25.1%	18.8%	14.0%	34.1%	6.9%	1.1%
2019	33.0%	10.3%	17.6%	35.2%	2.9%	1.0%
2018	37.9%	1.1%	17.3%	36.9%	5.8%	1.0%

Net asset value performance 1982 to 2023

Based on the Company's NAV per Ordinary share, the graph below illustrates the total return to investors in the Company since 1982, compared with the total return on the MSCI UK Index*. Each measure is rebased to 100 in 1982.



* Source: CG Asset Management Limited

Glossary of Terms and Definitions

Alternative Performance Measures	Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes UK GAAP, including FRS 102, and the AIC SORP. Further information is provided above. These numerical measures are used by the Board to assess the Company's performance against a range of criteria and are viewed as particularly relevant for an investment company.
DCP	A discount and premium control policy ('DCP') that seeks to ensure that the Company's shares trade at close to net asset value, in normal market conditions, through a combination of share buy-backs and share issues. The DCP creates liquidity in the shares and should reduce premium/discount volatility.
Drawdown	A maximum drawdown is the maximum observed negative period of return from a peak to a trough, as measured at month end NAV. Maximum drawdown is an indicator of downside risk that can be used to assess the relative riskiness of one portfolio relative to another.
Earnings per share	The earnings per share ('EPS') is calculated by dividing the net revenue return attributable to equity shareholders by the weighted average number of shares in issue.
Equity ETF	An exchange-traded fund ('ETF') is a type of pooled investment security that operates similarly to a mutual fund. Typically, ETFs will track a particular index, sector, commodity, or other asset, but unlike mutual funds, ETFs can be purchased or sold on a stock exchange the same way that a regular listed stock can. The price of an ETF's shares will change throughout the trading day reflecting the underlying value of the security.
Market Capitalisation	The value of the Company's total market value of its shares and is calculated by multiplying the total number of shares in issue with the current share price.
Net Asset Value ('NAV')	The value of total assets less liabilities. To calculate the net asset value per share the net asset value is divided by the number of shares in issue.
Ongoing Charges	The Company publishes its ongoing charges ('ongoing charges ratio' or 'OCR') on two bases, the first excluding and the second including fees of collective funds invested in by the Company. The management fee and all other administrative expenses are expressed as a percentage of the average daily net assets during the year.
Premium/Discount to NAV	The amount by which the share price is higher/lower than the net asset value per share, expressed as a percentage of the net asset value per share.
Total Return	Net asset value/share price total return measures the increase or decrease in net asset value per share/share price plus the dividends paid in the period, which are assumed to be reinvested at the time that the share price is quoted ex-dividend either in the net asset value or share price of the Company.
Treasury shares	Shares that have been repurchased by the Company but not cancelled. These shares are held in a treasury account and remain part of the Company's share capital but do not carry any rights to receive dividends or vote at general meetings.

Management and Administration

Investment Manager

CG Asset Management Limited
20 King Street
London EC2V 8EG
Telephone: 020 3906 1633

As at 31 March 2023, CGAM had total funds under management of £4.1 billion.

Depositary, Custodian and Banker

The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Company Secretary and Administrator

Juniper Partners Limited
28 Walker Street
Edinburgh EH3 7HR
E-mail: company.secretary@capitalgearingtrust.com
Telephone: 0131 378 0500

Registered Office

Carson McDowell LLP
Murray House
Murray Street
Belfast BT1 6DN

Registered Number

NI005574

AIC

Association of Investment Companies
www.theaic.co.uk

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
Telephone: 0370 873 5864

Independent Auditors

BDO LLP
City Point
65 Haymarket Terrace
Edinburgh EH12 5HD

Corporate Stockbroker

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

Beware of Share Fraud

In recent years there has been an increase in the number of sophisticated but fraudulent financial scams. This is often by a phone call or email which can originate from outside UK. Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These are typically from overseas 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares.

Shareholders may also be advised that there is an imminent offer for the Company, and the caller may offer to buy shares at significantly above the market price if an administration fee is paid. This is known as 'boiler room fraud'. Please note that it is very unlikely that either the Company, or the Company's Registrar, would make unsolicited telephone calls to Shareholders and never in respect of 'investor advice'.

If you are contacted, we recommend that you do not respond with any personal information, including access to financial information or bank accounts. If you are in any doubt you should seek financial advice before taking any action. You can find more information about investment scams at the Financial Conduct Authority (FCA) website: www.fca.org.uk/consumer/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

There has also been an increase in imposter websites and internet scams. Investors should take care to discriminate between legitimate corporate websites and those that might try to represent corporates, where an objective of the scam would be to data capture private investor information or encourage investors to provide banking information.

Shareholder Updates

If you wish to register for email alerts using the QR code below, you will receive regular updates regarding the publication of the monthly factsheet, quarterly reports, podcasts and an alert regarding the AGM and other shareholder meetings, encouraging you to vote.

Scan the QR code to register for email alerts regarding Company updates:

Capital Gearing Trust P.l.c.
Carson McDowell LLP
Murray House
Murray Street
Belfast BT1 6DN

www.capitalgearingtrust.com