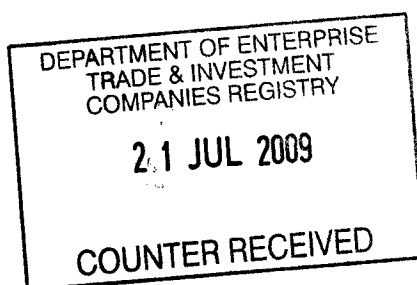




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CAPITAL GEARING TRUST P.L.C



Annual Report and Accounts

For the year ended 5 April 2009

Company Summary

- **Investment Objective**

To achieve capital growth in absolute terms principally through investment in quoted closed ended and other collective investment vehicles, invested in equities or property, with a willingness to hold cash, bonds, index linked securities and commodities when appropriate.

- **Continuation of the Company**

It is the Board's intention to continue with the commitment to offer shareholders the opportunity to realise their investment in the Company, at a price that fairly reflects the underlying net asset value of their investment, with the next opportunity expected to be in 2015.

- **Capital Structure and Voting Rights**

The share capital comprises Ordinary Shares of 25 pence each. As at 5 April 2009, 2,794,906 shares were in issue (5 April 2008: 2,794,906). Each Ordinary Share has one vote.

- **Investment and Portfolio Management**

Investment management is carried out by CC Asset Management Limited under an agreement dated 27 April 2001. Portfolio administration is carried out by Smith & Williamson Investment Management Limited under an agreement dated 13 June 2006.

- **Administration**

Company secretarial and accounting services are provided by TMF Corporate Secretarial Services Limited and TMF Management (UK) Limited, respectively.

- **Annual General Meeting**

The Annual General Meeting of the Company will be held at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH at 11.00 a.m. on Wednesday, 8 July 2009.

- **ISA**

The Company manages its affairs so as to be a fully qualifying investment trust under the Individual Savings Account (ISA) rules.

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

Information disclaimer

This report is produced for members of the Company with the purpose of providing them with information relating to the Company and its financial results for the period under review. This report contains subjective opinion, analysis and forward looking statements which, by their very nature involve uncertainty. Events beyond the control of the Directors and the Company may affect actual results which may therefore differ to those indicated within this report. Market and currency fluctuations may occur which may in turn have an impact on the Company's underlying investments. Past performance is no guarantee of future performance. Investments are not guaranteed and you may not get back the amount you originally invested. Neither the Directors nor the Company take responsibility for matters outside of their control.

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Financial Highlights

	5 April 2009	5 April 2008	% Change
Share Price	2,370.0p	2,135.0p	+11.0
Net Asset Value per Share	2,125.4p	2,126.4p	–
Premium	11.5%	0.4%	–
Shareholders' Funds	£59.4m	£59.4m	–
Market Capitalisation	£66.2m	£59.7m	+11.0
Total Expense Ratio*	1.6%	1.5%	+6.7
Dividend per Share	22.0p	16.5p	+33.3

* Operating Expenses (excluding the VAT refund received during the year) divided by Total Assets less Current Liabilities

Performance Graph

The graph below shows the Company's Net Asset Value per Share and Share Price against the FTSE Equity Investment Instruments Index and the Retail Price Index.

Performance over 10 Years

All figures are rebased to 100 at 5 April 1999

Directors and Managers

Directors:

Mr T R Pattison FSI (58) Chairman

Appointed a Director in 1985 and Chairman with effect from 1 January 2005. Mr Pattison has over 30 years experience in managing both private client and institutional investment portfolios and is currently an executive director and Chairman of Fieldings Investment Management Limited.

Mr J C Morton FCA, DL (70)

Appointed a Director in 1998. Mr Morton is the Chairman of the Company's Audit Committee and the Senior Independent Director. Mr Morton was a partner in Price Waterhouse, subsequently PricewaterhouseCoopers, until September 1998.

Mr R P A Spiller MA (Oxon), FSI (61)

Appointed a Director in 1986. Mr Spiller was a partner in Cazenove & Co until 30 April 2001. He is now a director and chief executive of CG Asset Management Limited and CG Portfolio Fund Limited.

Mr E G Meek MSc (61)

Appointed a Director in 2004. Mr Meek is also a member of the Company's Audit Committee. Mr Meek is a former investment banker and stockbroker and was previously an executive director of Smith New Court plc. He is currently a non-executive director of Filtronic plc and was, until October 2008, Chairman of SPI Lasers plc.

Managers:

Investment Manager

CG Asset Management Limited

Established in 2001. The company currently has three clients: Capital Gearing Trust p.l.c, the CG Portfolio Fund Limited and the CG Portfolio Fund plc Real Return Fund, with total funds under management of £785 million. The portfolios are run on a long only basis with a low risk style focusing on achieving absolute returns.

Custodian and Administrator

Smith & Williamson Investment Management Limited

Appointed by the Investment Manager in 2006 to provide dealing, custody and treasury services for the portfolio. Founded in 1881, Smith & Williamson are a leading independent provider of investment management, accountancy, tax, corporate and financial advisory services to private clients, corporate bodies, professional practices and non-profit organisations.

Company Secretary

TMF Nominees Limited

Appointed as Company Secretary in 2007. TMF Nominees Limited is part of the TMF Group which provide company secretarial and accounting services. TMF Group is a global management and accounting outsourcing firm, with over 3,000 professionals working from 86 offices in 65 countries around the world.

Chairman's Statement

Overview

In what is now widely regarded to have been one of the most difficult and traumatic periods in the history of financial markets, it is with a certain degree of satisfaction coupled with some obvious relief that I am able to report that as at 5 April 2009, the net asset value per share of 2,125.4p has barely changed from the figure of 2,126.4p reported last year. To put this performance into context, over the same period, the FTSE Equity Investment Instruments Index and the FTSE All-Share Index fell by 33.7% and 32.5% respectively. Against a background of stock market turmoil and investors' flight to relatively safe havens, the FTSE Government All Stock Index rose by 4.2% over the same period.

Earnings per share for the period amounted to 28.5p compared to 21.3p in 2008.

From my previous reports, shareholders will be aware that our Investment Manager, supported by the Board, has for some while now adopted an investment strategy geared to preserving capital rather than taking undue risks in pursuit of high returns. To meet this objective a defensive asset allocation policy has been employed throughout the year. At the year end, fixed interest, index linked securities and cash represented 69.7% of total assets with another 10.7% and 3.6% held respectively in zero dividend preference shares and endowment funds. Major movements within asset classes during the year included a decrease in equities and endowment funds and an increase in both fixed interest and index linked securities.

Dividend

Last year, a total distribution of 16.5p was paid. This was made up of 13.0p plus a special dividend of 3.5p. At the next Annual General Meeting, and subject to shareholder approval, the Board will recommend a total distribution of 22.0p made up of 14.0p plus a special dividend of 8.0p. The special dividend continues to reflect the relatively high exposure to bonds that might at some stage be switched into lower yielding growth investments and this year includes the VAT refund on management fees received during the year.

Continuation of the Company

In November 2008, the Board honoured its long standing commitment to shareholders by offering them the opportunity to realise their investment in the Company by way of a sale and purchase facility, whereby your Company's stockbrokers matched those wishing to sell all or part of their holdings with potential buyers.

We are delighted that as a result of the facility the Company continued in the form of an investment trust with no restructuring required; 67,535 Ordinary Shares were offered for sale by existing shareholders and all such shares were placed at a price of 2,090.0p per share, a 3.1% premium to the net asset value as at the close of business on 10 December 2008. It is the Board's intention to offer shareholders a similar opportunity to realise their investment in 2015.

Annual General Meeting

This year, the AGM will be held in London on Wednesday, 8 July 2009 at 11.00 a.m. The Notice convening the forty sixth AGM of the Company is set out at the end of this document and I and the rest of the Board look forward to meeting you then. As usual, after the formal business of the meeting has concluded, our investment manager will be making a short presentation on the outlook for markets and the Company's investments in particular.

Issuance and Repurchase of Shares

The Board continues to operate an informal premium/discount control mechanism whereby major market supply and demand imbalances are satisfied by either the issuance of shares at a premium to net asset value or buying back shares at a discount. At the last AGM shareholders approved the necessary resolutions to enable these policies to be renewed and although no change in the issued capital took place during our last financial year, similar resolutions will again be put forward at this year's AGM.

The Board

This year Mr R P A Spiller, Mr J C Morton and I will retire at the AGM, and being so eligible, all offer ourselves for re-election. Retirement is in line with the guidelines for good practice set out in the AIC Code of Corporate Governance and the Combined Code. Mr Spiller has an on-going connection with the Investment Manager and has served in excess of nine years on the Board as have Mr Morton and myself. Further details in respect of each Director's retirement, evaluation and re-election can be found on page 10.

Regulatory Changes

The Articles of Association of the Company were amended at the 2008 Annual General Meeting for the changes made to the Companies Act 2006 which became effective in October 2008. The final implementation stage of the Companies Act 2006 will take place in October 2009; the Articles will therefore be amended again in 2010 to take into account the final provisions implemented by the Companies Act 2006.

Outlook

For the remainder of this year, it is likely that world economic growth will recover from a very low base as inventories are rebuilt and the fiscal stimulus resulting from a combination of low interest rates and the quantitative easing measures adopted by the Fed and the Bank of England begin to take effect. Against this background, equity markets could well rally in the short term. However, the structural weakness in western economies has not improved with both household and corporate balance sheets continuing to look stretched. At the same time, the cost of rescuing the banking system from near collapse has left the authorities and the taxpayer with a long term legacy of indebtedness. Without a bout of inflation, this will take years to correct and lead to sub trend growth for some while. With this view in mind, a cautious investment policy is still warranted.



Mr T R Pattison
27 May 2009

Investment Manager's Report

Review

With the FTSE All-Share Index down 32.5%, the essentially unchanged NAV per share may be viewed as satisfactory. The year saw a dramatic weakening of the world economy, much lower interest rates and a weaker UK Pound. As a result the portfolio benefited from its holdings in overseas, partially US, index linked bonds and conventional bonds in Euros and Swiss Francs; the exposures to equities and property cost money and even the small exposure to commodities fell a little.

Over the period the allocation to index linked bonds was increased and within that category, the US rose from 4% to 20% while Sweden fell from 9% to 1%. In conventional governments, the Japanese Yen bonds were sold after a huge appreciation of the currency, leaving the assets concentrated in Euros and Swiss Francs; the returns varied from 19% to 32%.

2009 was a poor year for investment trusts. Not only was investment performance poor, but corporate governance was tested and found wanting. In particular, a number of funds made commitments to discount control which were not met. This has led to opportunity for the Company as well as frustration. For example, the Company was able to buy Henderson Global Properties, which had been launched with an assurance that the discount would not exceed 5% (and could probably not have been able to raise the money without such a commitment) on a discount in excess of 30%. No attempt seems to have been made by the Board (of HGP) to meet its commitment either before or since; however, a continuation vote in December has been introduced.

Every dog has his day and in December funds of hedge funds, whose high charges had previously led to their exclusion from the portfolio, fell to 40% discounts and purchases were made in Goldman Sachs Dynamic Opportunities, Ceres Agriculture, Tapestry and Dexion Absolute; this last was tendered back to the company on an 11% discount.

Outlook

The outlook for the major economies is even less easy to predict than usual. The winds of deflation inherent in the long balance sheet recession that began in 2008 continue to blow powerfully, but the level of fiscal and monetary stimulus is unprecedented. Within this extended recession, strong shorter term inventory cycles will yield misleading impressions of recovery and relapse.

The fundamental imbalances of the world economy though, are depressing in every sense of the word. The worst imbalances revolve around the overleveraged banking system and the extensive debts of the private, in particular the household, sector. At the time of writing, bank shares have recovered strongly, but a glance at the forecasts of the IMF reveals a further capital requirement of \$1.7 trillion to return US and European banks to the capital ratios that they enjoyed in the mid 1990's. This could likely require significant further public as well as private capital. History indicates that credit will not flow freely until capital ratios are restored and in any case credit conditions have, in past financial crises, not recovered until two to three years after output recovers. So far, the reaction of the major governments has been active, but has fallen short of the wholesale nationalisation of weak banks with the re-issue of the 'good' banks.

Consumers, meanwhile, are addressing their stretched balance sheets and savings rates have risen from negligible levels to between 4% and 5% in the UK and the US. Unfortunately, past financial crises have often led to savings rates of 10% or more, and in any case normal sustainable levels look to be about the 8% that prevailed before the recent boom. Furthermore, the boost to consumers from weak commodity prices and lower interest rates has made the initial adjustment easier – the next rise in saving will be tougher. More importantly, the process of reducing debt will, in the absence of inflation, take a number of years.

Significant inflation, though, seems ultimately all but certain in the Anglo-Saxon countries, where high fiscal deficits are being financed through printing, as suggested by Chairman Bernanke's writing. The pattern of inflation looks clear; short term deflationary pressures resulting from an unprecedented output gap of 8% will be followed by inflation resulting from the debasement of the currency. The timing is uncertain. However, real yields in excess of 2% in the US Treasury Inflation Protected Securities market look anomalously high and offer the prospect of significant capital gains in addition to protection from inflation.

In Europe though, the appetite for printing is far less pronounced; the outlook may be more similar to the experience of Japan following its 1980's boom. In that case, the nominal yields on German bonds of 4% may fall by as much as half, again yielding significant capital gains.

The environment for corporate profits, though, continues to be poor and will remain so throughout the investment horizon. Large numbers of companies require more capital and many rights issues are expected. Meanwhile, long term valuation measures such as Schiller's long term cyclically adjusted p/e ratios indicate a stock market that is fair value rather than cheap – the current long term p/e ratio in the US is 16 which compares to an average of 16.1 in the last 100 years. It seems likely that there will be an opportunity to buy equities at lower prices and maybe much lower prices – the Schiller p/e ratio has troughed at less than 7 times in previous crises.

On the other hand, the trough may be close in property shares, where yields on real estate of close to 8% on the IPD may discount much of the 25% - 30% fall in rents that can be expected and shares can be bought on significant discounts themselves, with further discounts on funds of property shares.

In currency markets, continued volatility seems assured, but Sterling is still a concern. The finances of the UK Government are close to being out of control and the magnitude of printing already announced is alarmingly high and likely to be repeated in future years. Moreover, the repayment of the £700 billion funding gap in the UK banking system that was borrowed from overseas between 2002 and 2008 will put persistent downward pressure on the currency.

Overall, then, the next 12 months will be another year in which the preservation of capital will be more important than making money. Meanwhile, there are some opportunities now and may be more as 2009 progresses.

Mr R P A Spiller
27 May 2009



Portfolio Analysis

Distribution of investment funds of £58,617,000 (2008: £58,939,000)

	UK %	North America %	Europe %	Elsewhere %	2009 Total %	2008 Total %
Investment Trust assets:						
Ordinary shares	9.3	1.7	1.9	3.1	16.0	21.2
Endowment funds	3.6	–	–	–	3.6	7.3
Zero dividend preference shares	10.7	–	–	–	10.7	11.4
Other assets:						
Fixed interest	5.8	–	26.5	–	32.3	22.7
Index linked	12.2	20.5	1.1	–	33.8	30.5
Floating interest	1.8	–	–	–	1.8	–
Cash	1.8	–	–	–	1.8	6.9
	45.2	22.2	29.5	3.1	100.0	100.0

Investments of the Company – Market value greater than £500,000 as at 5 April 2009

	2009 £'000	2008 £'000
Investment Trust Ordinary Shares and Endowment Funds:		
Allianz Dresdner 2nd Endowment Policy Trust 2009	1,641	1,253
London & St Lawrence Investment Company	936	807
North Atlantic Smaller Companies	646	1,306
TR Property Investment Trust Sigma	504	272
Other: 55 investments (2008: 43 investments)	7,713	13,155
	11,440	16,793

	2009 £'000	2008 £'000
Investment Trust Zero Dividend Preference Shares:		
Utilico Finance Ltd	1,528	1,442
Premier Energy & Water Trust	1,254	1,173
EPIC Securities	835	864
JZ Capital Partners	741	–
Edinburgh New Income Trust	530	521
Other: 8 investments (2008: 5 investments)	1,390	2,732
	6,278	6,732

Portfolio Analysis (continued)

Investments of the Company – Market value greater than £500,000 as at 5 April 2009 continued

	2009 £'000	2008 £'000
Index Linked Securities and Fixed Interest:		
Treasury 2.5% Index Linked 2013	4,060	2,501
Switzerland (Govt of) 2% Index Linked Bonds 2014	3,973	3,101
Switzerland (Govt of) 3% Bonds 2018	3,202	2,482
France (Govt of) 5.5% OAT 2029	3,119	2,632
Germany (Federal Republic) 4.75% Bonds 2028	2,913	2,424
USA Treasury 2.0% Index Linked Bonds 2016	2,878	–
USA Treasury 1.375% Index Linked Bonds 2018	2,865	–
USA Treasury 2.0% Index Linked Bonds 2026	2,077	–
USA Treasury 0.625% Index Linked Bonds 2013	1,697	–
Treasury 2.5% Index Linked 2011	1,156	1,176
Treasury 1.25% Index Linked 2017	1,102	1,099
Treasury 4.5% 2013	1,076	–
Germany (Federal Republic) 4.75% Bonds 2034	1,073	889
USA Treasury 3.625% Index Linked Bonds 2028	1,058	844
Treasury 4.25% 2011	1,054	1,006
Canada (Govt of) 4% Index Linked 2031	933	1,773
Treasury 2.5% Index Linked 2016	834	849
The Cayenne Trust 3.25% Convertible Unsecured Loan Stock 2011	744	–
Germany (Federal Republic) 4.0% Bonds 2037	667	–
Sweden (Kingdom of) 3.5% Index Linked Bonds 2028	637	3,788
Switzerland (Govt of) 2.5% Bonds 2036	592	–
Other investments: 5 investments (2008: 10 investments)	1,120	6,762
	38,830	31,326
Floating interest:		
Smith & Williamson Investment Funds	1,002	–
Total investments	57,550	54,851
Amounts due from brokers, on deposit	1,067	4,088
Total investment funds	58,617	58,939

A full portfolio listing as at 5 April 2009 can be found on the Company's website at www.capitalgearingtrust.com.

Historical record of the capital growth of the Company in the 10 years to 2009

	Net assets £'000	NAV per 25p Share p	Appreciation on previous year %	FTSE Equity Investment Instruments Index Index	Change on previous year %
5 April					
2000	23,150	993.2	10	5,041.1	31
2001	24,777	1,093.5	10	4,504.4	(11)
2002	27,863	1,200.5	10	3,947.4	(12)
2003	31,368	1,232.1	3	2,640.5	(33)
2004	40,656	1,475.8	20	3,588.5	36
2005	46,612	1,692.0	15	4,052.0	13
2006	54,136	1,937.0	14	5,651.1	39
2007	56,576	2,024.2	5	6,032.7	7
2008	59,432	2,126.4	5	5,765.2	(4)
2009	59,404	2,125.4	–	3,824.2	(34)

The net assets and net asset value ('NAV') per Share for 2000 to 2005 have been restated for the changes in accounting policy in 2006.

Portfolio Analysis (continued)

Performance 1982 to 2009

Rebasing each of the Net Asset Value per Share of the Company and the FTSE Equity Investment Instruments Index to 100 in 1982, the subsequent performance of the Company Net Asset Value per Share and the FTSE Equity Investment Instruments Index compare as follows:

Report of the Directors incorporating the Business Review

The Directors present their Report, Business Review and the Audited Financial Statements of the Company for the year ended 5 April 2009.

Status

The Company is an investment trust as defined by Section 833 of the Companies Act 2006 and operates as such in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ('ICT Act'). This legislation provides conditions that the Company must meet in respect of each accounting period that it seeks to be classed as an investment trust. A breach of Section 842 could lead to the Company being subject to capital gains tax on its investments. HM Revenue and Customs approval of the Company's status as an investment trust has been received for the year to 5 April 2008; this is however subject to review should there be any enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has met the conditions set out in Section 842 of the ICT Act and continues to conduct its affairs in a manner which will enable it to continue to meet these conditions. The Board in conjunction with the Investment Manager reviews compliance with Section 842 of the ICT Act in addition to other financial and regulatory requirements.

Business Review and Principal Risks

The Business Review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006. A review of the year's activities and an indication of future policy are given in the Chairman's Statement and Investment Manager's Report. The principal risks and uncertainties facing the Company are detailed below and in the Notes to the Financial Statements. The very nature of forward looking statements involves uncertainty as events beyond the control of the Company may affect actual results. Performance and results may therefore differ from the plans and objectives of the Company; neither the Directors, nor the Company take responsibility for matters outside of its control.

Investment Objective

The investment objective and policy are monitored to ensure continued investor interest and for consideration of continuation of the Company in its present form. Investment performance is monitored and the Investment Manager presents a report to each Board meeting for consideration and discussion.

Premium/Discount Level

The Board regularly reviews the level of premium/discount and, in the event of prolonged trading at a discount, consideration is given to enhancement strategies for the share price. The Board operates an informal discount control mechanism and will buy in shares as and when necessary to manage the discount at an appropriate level.

Stock Price

Uncertainty of future stock prices presents a risk in relation to potential losses on market positions held. The Board, with the Investment Manager, considers asset allocation on a regular basis to minimise potential risks where possible.

Shareholder Register

The Board reviews all large transactions and periodically considers a full shareholder analysis. In the event of activist shareholders being attracted onto the Register, the Board would be able to consider quickly whether any action was required.

Other Risks

Risks associated with the Company's financial instruments include Market Price, Interest Rate, Credit and Foreign Currency; information relating to such risks is given in note 20 to the financial statements on pages 31 to 34.

Social, Community and Environmental Matters

The Company does not have any employees. The Company invests primarily in closed ended and other collective investment vehicles with the objective of achieving capital growth. The Board is of the opinion that the underlying investee companies have policies to act with due regard to community, welfare and environmental factors and do not therefore intervene in these areas.

Political and Charitable Contributions

No contributions were made during the year for political or charitable purposes (2008: nil).

Key Performance Indicators ('KPIs')

The Board monitors numerous KPI indices and ratios for the purpose of assessing and reporting investment performance. The Chairman, in his statement, has summarised performance of the Company's Net Asset Value ('NAV') per Share for the year to 5 April 2009 and has compared this year's capital growth (in absolute terms) against the FTSE Equity Investment Instruments Index, the FTSE All-Share Index and the FTSE Government All Stock Index. He also describes the earnings per Share and dividends paid for the year.

A graph showing the Company's NAV per Share compared with the FTSE Equity Investment Instruments Index over the period from 1982 is shown on page 7. A comparison of the Company's share price total return over the last five years, compared with the FTSE Equity Investment Instruments Index which reflects the performance of similar companies, is shown on page 19.

In addition, the Board monitors the following additional KPIs:

- Share price premium/discount 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 (if discount to NAV is high) or issued (if share price is at a premium to NAV). At the start of the year under review the premium to NAV was 0.4% compared with 11.5% at the year end.
- Expense ratios, which enable the Board to measure the control of costs and help in meeting the dividend payment objective. The ratio of operating expenses to net assets continues to remain relatively stable at 1.6% (excluding the VAT refund received during the year).

Investment Policy

Policy & Risk

The Company's objective is to achieve capital growth in absolute terms rather than relative to a particular stock market index. The preservation of shareholders' wealth is an important consideration in fulfilling this objective and has a strong underlying influence on the Company's investment policy.

Report of the Directors

incorporating the Business Review (continued)

To meet its objective, the Company's investment policy is to invest primarily in quoted closed ended and other collective investment vehicles, invested in equities or property, with a willingness to hold cash, bonds, index linked securities and commodities when appropriate.

Recognising the diverse attributes of most closed ended investment companies and collective investment instruments, as well as the lower risk characteristics attached to the other principal asset classes in which the Company invests, a flexible approach to asset allocation is adopted.

Asset Allocation

A maximum (100%) exposure to each of the asset categories mentioned above is allowable, provided that such exposure is deemed to be in the best interests of shareholders in achieving the Company's objective. Such extreme positions are however unlikely and subject to Board approval. It is anticipated that under most market conditions a broad mix of assets is likely to continue to be maintained and a maximum 80% exposure to either equity or fixed interest securities, including index linked and cash, may be held before requiring Board consideration and approval.

The maximum proportion of the Company's gross assets that can be held in other UK listed investment companies, which do not have a stated investment policy to invest no more than 15% of their gross assets in other UK investment companies, is 10%.

The Manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure. However, the Company will not invest more than 15% of its investment portfolio in any single investment on acquisition without prior Board approval.

Gearing

The gearing range of the Company at any one time shall be between 0% and 20% of NAV at the time of acquisition. Gearing in excess of the maximum range will be subject to prior Board approval.

Additional Elements

The Board from time to time will consider investments in relation to derivatives such as guarantees, options and currency. Such investments may only be made for the purpose of efficient portfolio management and are subject to prior approval from the Board, which will only be given following an in-depth review of the investment, the potential return for shareholders and the regulatory impact to the Company. Additionally, investments in CG Asset Management Limited ('CGAM') managed funds or associates of CGAM will be considered by the Board on a case by case basis and are subject to prior Board approval.

Net Asset Value

At 5 April 2009 the net assets per 25p Ordinary Share of the Company amounted to 2,125.4p, as compared with a figure of 2,126.4p as at 5 April 2008.

Results and Dividend

The revenue return for the financial year was £796,000 (2008: £596,000).

The Directors recommend the payment of a dividend of 22.0p per Ordinary Share for the year ended 5 April 2009, made up of 14.0p plus a special dividend of 8.0p (2008: a total of 16.5p, made up of 13.0p plus a special dividend of 3.5p) amounting to £615,000 (2008: £461,000) for approval by shareholders at the forthcoming Annual General Meeting. The dividend will be payable on 13 July 2009 to shareholders on the Register of Members on 5 June 2009, the associated ex-dividend date being 3 June 2009. Under FRS21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the Balance Sheet date. As such, the amount recognised in the 2009 financial statements comprises the 2008 final dividend.

Directors

Directors and their Interests

The Directors in office throughout the year under review and the number of Shares in the Company over which they held an interest are listed below. Biographical details of each Director can be found on page 2.

	Ordinary shares of 25p each	
	5 April 2009	5 April 2008
Mr T R Pattison		
Non-Executive Chairman	2,430	2,430
Mr J C Morton		
Senior Independent Non-Executive Director	4,000	4,000
Mr R P A Spiller		
Non-Executive Director and Investment Manager	305,671	305,671
Mr E G Meek		
Non-Executive Director	11,834	7,500

There were no changes in the Directors' interests in the Shares of the Company during the period 6 April 2009 to 27 May 2009. No Director was granted options over any shares in the Company. No Director has a service contract with the Company.

Report of the Directors

incorporating the Business Review (continued)

Independence

Guidelines in respect of how the Board should determine whether a Director is deemed to be independent are detailed in the Combined Code on Corporate Governance. The Association of Investment Companies ('AIC') Code of Corporate Governance (the 'AIC Code') however, supports the Board having flexibility in determining appropriate limits on length of service whilst recognising the need to renew the level of skills and enthusiasm on the Board. The full corporate governance report of the Company is set out on pages 14 to 18.

With the exception of Mr R P A Spiller, all Directors are considered to be independent of the Investment Manager and independent in both character and judgement. The Board do not adhere to the theory that length of service prevents a Director from remaining independent and acting independently of others, which is in line with the AIC Code which allows a Director, who has served in excess of nine years, to continue to be classed as independent. As part of the annual evaluation process, all Directors (with the exception of Mr R P A Spiller) complete an independence questionnaire. In line with good corporate governance practice, all directors who have served for nine years or more will stand for re-election annually.

Board Evaluation

On an annual basis each Director completes a full evaluation questionnaire covering the actions of the Audit Committee, individual Directors, the Board as a whole and, in general, the actions of the Board in conjunction with its advisers. Additionally, all independent Directors complete an evaluation of the Investment Manager. Within the evaluation process each Director has the opportunity to raise concerns for the Board to take action on.

Following completion and summarising by the Company Secretary, the Board as a whole consider the evaluation results and discuss areas for improvement or change.

Retirement and Re-election

The following Directors will retire at the forthcoming AGM, and, being eligible, will be proposed for re-election.

Messrs Pattison and Morton offer themselves for re-election in accordance with Principle 3 of the AIC Code as each has served as a Director for more than nine years.

Mr R P A Spiller offers himself for re-election in accordance with Principle 2 of the AIC Code as he is an employee of the Investment Manager, CG Asset Management Limited ('CGAM').

The retirement by rotation provisions contained in Article 89.1 of the Company's Articles of Association are fulfilled by these retirements.

Subject to annual re-election and the need to refresh its membership from time to time, the Board is of the opinion that the term of office of individual Directors should be determined by the Board's judgement of their continuing effectiveness and performance.

After due consideration of the results of the performance evaluation, the Chairman and the Board confirm that they are content that the performance of the Directors seeking re-election continues to be effective and demonstrates commitment to the role, including the necessary commitment of time for Board and Committee meetings and other duties as are required. The Board believe that the re-election of the above named Directors is in the best interests of the Company and its shareholders.

Directors' Remuneration

The Directors' Remuneration Report is set out on page 19.

Meeting Attendance

The number of meetings held during the year from 6 April 2008 to 5 April 2009 and the Directors' attendance is detailed below:

	Board (4)	Sub-Committee of the Board* (4)	Audit Committee (3)
Mr T R Pattison	4	4	–
Mr J C Morton	3	2	3
Mr R P A Spiller	4	1	–
Mr E G Meek	4	3	3

*The sub-committee meetings were held to approve the annual and half year financial statements and the shareholder circular relating to the Share Sale and Purchase Facility of the Company.

All Directors, with the exception of Mr J C Morton, attended the 2008 Annual General Meeting.

Management and Contracts

Investment Manager

The Company's investments are managed by CG Asset Management Limited ('CGAM') under an agreement dated 27 April 2001, which is terminable on 12 months notice. Under this agreement, CGAM receives an annual investment management fee of 0.85% of the gross assets of the Company based on quarterly valuations and payable quarterly in arrears, as detailed in note 3 to the financial statements on page 27. In the event of termination of the agreement otherwise than at the end of a quarter, the Company shall pay to the Investment Manager a due proportion (pro-rated based on the time remaining in the period) of the fee for the period ended on the termination of the agreement, calculated by reference to the gross assets of the Company as at the date of termination. No other compensation would be payable in the event of termination.

Report of the Directors

incorporating the Business Review (continued)

The Investment Manager operates under an investment policy and guidelines drawn up by the Board as detailed above. Any proposed deviation from the policy 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 performance of the Investment Manager during the year and the contractual arrangements with the Investment Manager were discussed at a Board meeting in May 2009, along with a formal evaluation completed by all independent Directors. Mr Spiller, as representative of the Investment Manager, was not present during the course of the discussion.

In reviewing the Investment Manager's performance, the Directors take the following into consideration:

- 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 aim of providing growth in net asset value in absolute terms;
- the asset value performance achieved in the year under review as well as over the longer term and whether this has satisfied the investment objectives as communicated to shareholders;
- performance comparison to a selected peer group; and
- compliance and administration competence.

Based on investment performance over the year, the independent Directors concluded that the continuing appointment of the Investment Manager on the existing terms was in the best interests of the shareholders as a whole.

Portfolio Manager

Under an agreement with the Company, Smith & Williamson Investment Management Limited ('S&W') were appointed in 2006 to provide custodial and administrative services in relation to the portfolio. Under this agreement, S&W receive an annual portfolio management fee of 0.1% based on quarterly portfolio valuations. Additionally S&W receive an administration fee of £12.50 per trade (£50.00 for overseas stocks) plus 0.125% commission on the full consideration. Details of the fees paid to S&W are given in note 4 to the financial statements on page 27. Termination of the agreement requires 3 months written notice.

Administration and Company Secretary

TMF Corporate Secretarial Services Limited and TMF Management (UK) Limited (collectively 'TMF') were appointed by the Company in 2007 to provide company secretarial and accounting services. Under this agreement, which may be terminated on 3 months written notice, TMF receive an annual compliance fee exclusive of VAT of £44,100* for company secretarial services and £30,100* for accounting services. Further fees may be payable for additional work undertaken during the year. Details are given in note 4 to the financial statements on page 27.

*The annual compliance fee, exclusive of VAT, for company secretarial services was increased with effect from 1 January 2009, from the previous fee of £42,000 and the annual compliance fee, exclusive of VAT, for accounting services was increased with effect from 1 July 2008 from the previous fee of £26,250.

Creditor Payment Policy

Whilst following no formal code, it is the Company's policy to settle all its investment transactions within the time frames indicated in the markets in which it operates, generally within one week of the transaction. Other expenses are paid within 30 days in the normal course of business. At the year end, creditors represented 60 days (2008: 65 days).

Substantial Shareholders

At 27 May 2009, the following interests in voting rights had been notified to the Company in accordance with the provisions of the Disclosure and Transparency Rules of the Financial Services Authority:

	Number of Ordinary Shares	Percentage of Issued Share Capital held
Smith & Williamson Investment Management Limited	263,004	9.4%
Suffolk Life Annuities Limited	251,695	9.0%
Mr R P A Spiller	207,431	7.4%
Cazenove Capital Management Limited	168,791	6.0%
Barclays PLC	143,059	5.1%
Mrs V H I Maunder-Taylor	127,031	4.5%
Mrs D Spiller	98,240	3.5%

Other Statutory Information

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

- In respect of the Company's shares, there are no:
 - (i) restrictions on the transfer of or in respect of the voting rights of the Company's shares;
 - (ii) agreements, known to the Company, between holders of securities regarding the transfer of such shares; and
 - (iii) special rights with regard to control of the Company attaching to any such shares.

Report of the Directors

incorporating the Business Review (continued)

- Details of the significant direct or indirect holdings of the Company's shares are shown in the substantial shareholders table.
- The rules on the appointment and replacement of the Directors are set out in the Company's Articles of Association (the 'Articles').
- Subject to the provisions of the Companies Act 2006, the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special power given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.
- There are no agreements:
 - (i) to which the Company is a party that might affect its control following a takeover bid, and/or;
 - (ii) between the Company and its Directors concerning compensation for loss of office.

Annual General Meeting ('AGM')

The AGM of the Company will be held on Wednesday, 8 July 2009 at 11.00 a.m. at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH. The formal notice of such is set out on pages 35 to 37. At this meeting the Company will seek to renew the following powers which were granted at the AGM in 2008:

Resolution 9:

to allot up to 1,205,094 Ordinary Shares, in aggregate a nominal value of £301,273.50, being the remaining unissued share capital of the Company at the date of this report;

Resolution 10:

to buy back up to 418,956 (14.99%) of the issued share capital for cancellation or holding up to 10% in treasury, for resale into the market during more favourable conditions at values equal or at a premium to NAV; and

Resolution 11:

to disapply pre-emption rights in respect of the allotment of up to 10% of the issued share capital and the allotment of up to 10% of the issued share capital which has been bought back for holding as treasury shares. Whilst recognising that Institutional Investor Guidelines recommend non pre-emptive issues be not more than 5% of issued share capital, the Board recommends a maximum of 10% in each instance since it feels this will give added flexibility, and will be more cost effective.

The powers granted during 2008 will expire at this AGM. If approved, the renewed powers as detailed above and in the formal notice will in turn expire at the 2010 AGM unless previously renewed, varied or revoked by the Company in general meeting. The powers vested from the above resolutions will only be exercised 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 Company does not currently hold any Shares in treasury (2008: nil).

The following item of special business will also be proposed at the AGM:

Resolution 12:

At the Company's last Annual General Meeting held on 11 July 2008, new articles of association were adopted which include a provision enabling general meetings other than annual general meetings of the Company to be called on at least 14 days notice, the minimum notice period permitted by the Companies Act 2006 (the '2006 Act'). The 2006 Act provisions relating to general meetings are due to be amended no later than August 2009, as a result of the implementation in the UK of the EU Shareholder Rights Directive (the 'Directive'). The UK Government is still consulting on the precise detail of the amendments that are to be made and it is not expected that it will publish the final form of the relevant implementing regulations until later this year.

The Directive will increase the minimum notice period on which listed companies may call general meetings to at least 21 days. However, companies will be able to reduce this period to at least 14 days for general meetings other than annual general meetings, provided that certain conditions are satisfied. One such condition is that a resolution reducing the period of notice for general meetings other than annual general meetings to 14 days has been passed at the immediately preceding annual general meeting of the company or at a general meeting held since the immediately preceding annual general meeting. The resolution must be passed notwithstanding that the company's articles of association permit the company to call general meetings other than annual general meetings on a notice period of at least 14 days.

The Board considers it prudent to continue to maintain the Company's current flexibility to call general meetings other than annual general meetings on 14 days notice after the Directive is implemented in August 2009. Consequently, Resolution 12 is proposed as a resolution that would satisfy the condition required by the Directive, as noted above.

The Board consider all the resolutions detailed in the formal notice to be in the best interests of shareholders and for the Company as a whole and therefore unanimously recommend to shareholders that they vote in favour of each resolution to be proposed at the AGM.

Auditors and Audit Information

Resolutions to reappoint PricewaterhouseCoopers LLP as Auditors to the Company and authorise the Directors to determine their remuneration will also be proposed at the forthcoming AGM. The Directors in office at the date of this report each confirm 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.

Report of the Directors incorporating the Business Review (continued)

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that 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. They 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 Financial Statements are published on the Company's website, www.capitalgearingtrust.com, which is a website maintained by TMF Corporate Secretarial Services Limited. The Directors are responsible for the maintenance and integrity of the Company's corporate website and financial information included within the website. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for changes that may have occurred to the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

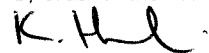
Each of the Directors, whose names and functions are listed on page 2 confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors 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.

Going concern

After making enquiries, the Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board



TMF Nominees Limited
Secretary
27 May 2009

Corporate Governance Report

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code'), by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board continues to consider that reporting in accordance with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The AIC Code was updated in early 2009 and is now in its fourth edition. The fourth edition was endorsed by the Financial Reporting Council on 20 February 2009 and was subsequently issued to members in March 2009, applicable to accounting periods beginning on or after 29 June 2008.

The following table demonstrates how the principles of the 2006 AIC Code, which applies to the year under review, have been applied and explains those recommendations which were not complied with during the year.

The 2006 Combined Code includes provisions relating to the role of the chief executive and executive directors' remuneration. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of the Company as an externally managed investment company with no employees and has therefore not reported further in respect of these provisions.

Principle	Company Compliance
The Board	
1. <i>The chairman should be independent.</i>	Mr T R Pattison is the Chairman of the Board. The results of the annual performance and independence evaluation of the Chairman were discussed at a meeting of the Board on 19 May 2009. The Chairman was not present during the course of this discussion. The Board considers that the Chairman remains independent of the Investment Manager despite the fact that he has served on the Board for more than nine years, as he continues to act with independent judgement and to represent the interests of shareholders as a whole. Mr J C Morton is the Senior Independent Director and is available to shareholders if they have concerns which contact through the normal channel of Chairman has failed to resolve or for which such contact is inappropriate.
2. <i>A majority of the board should be independent of the manager.</i>	The Board comprises four Non-Executive Directors and, with the exception of Mr R P A Spiller, all of the Directors are considered to be independent of the Company's Investment Manager. Independence questionnaires are completed annually by each of the Directors, other than Mr R P A Spiller, and reviewed by the Chairman and then the Board as a whole. The Company supports Principle 2 of the AIC Code which recommends that long serving Directors, including the Chairman, should not be prevented from forming part of an independent majority.
3. <i>Directors should be elected for a fixed term of no more than three years. Nomination for re-election should not be assumed but be based on disclosed procedures.</i>	Directors are initially appointed for a three-year term following which they are subject to re-election by shareholders at the intervals specified in the Company's Articles of Association and in accordance with good corporate governance practice. Board support for re-election is not assumed but is based on the outcome of an annual performance evaluation. The performance of each Director and nominations for re-election are discussed by the Board as a whole in the absence of the Director in question. Directors (including the Chairman) who have served for more than nine years are subject to annual re-election.
4. <i>The board should have a policy on tenure, which is disclosed in the annual report.</i>	No limit is placed on the age or length of service of the Directors by the Board or by the Articles of Association of the Company. The Board does not consider that age or tenure should prevent a Director from being regarded as independent from the Investment Manager.
5. <i>There should be full disclosure of information about the board.</i>	The Directors' biographies can be found on page 2 and further details can be found in the Report of the Directors on pages 9 and 10. The Board has established an Audit Committee but due to the small size of the Board does not feel it necessary to establish separate Remuneration, Nomination or Management Engagement Committees; the functions of the latter three are carried out by the Board as a whole.
6. <i>The board should aim to have a balance of skills, experience, ages and length of service.</i>	The independence, contribution and performance of each member of the Board is evaluated annually and the process incorporates discussion on the composition and balance of the Board. The Directors believe that the Board displays the necessary balance of skills and experience.

Corporate Governance Report (continued)

Principle	Company Compliance
7. <i>The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</i>	A formal performance evaluation of each Director, the Board as a whole, the Audit Committee and various service providers was carried out in April 2009. This took the form of a questionnaire completed by all Directors, the results of which were then considered by the Chairman and Senior Independent Director, who in turn reported back to the Board.
8. <i>Director remuneration should reflect their duties, responsibilities and the value of their time spent.</i>	The Board as a whole reviews the Directors' remuneration every two years. A peer group comparison and consideration of activity during the period is used to benchmark remuneration. The remuneration levels were increased for the year ended 5 April 2009 and a full report on Directors' Remuneration is given on page 19.
9. <i>The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.</i>	As the Board is small there is no formal Nomination Committee and appointments of new Directors are considered and voted on by the Board as a whole. When appropriate, the Directors are invited to submit nominations and external advisors may be used to help identify potential candidates for consideration by the Board.
10. <i>Directors should be offered relevant training and induction.</i>	On appointment, each Director is provided with a summary of the responsibilities and duties of directors, together with relevant background information on the Company and appropriate training is arranged where this is considered necessary. In addition, each of the Directors is encouraged to seek ongoing training opportunities, both in relation to their office with the Company and otherwise. The Board has an established procedure whereby Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. All Directors have access to the advice and services of the Company Secretary.
11. <i>The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.</i>	Not applicable to the Company at present.

Board Meetings and the relationship with the Manager

12. <i>Boards and managers should operate in a supportive, co-operative and open environment.</i>	The Board meets at least quarterly and additionally as necessary to review the overall business of the Company and to consider the matters specifically reserved for it to decide on. Detailed information is provided by the Investment Manager and Company Secretary at each meeting, which enables the Directors to monitor the investment performance of, and other matters of relevance to, the Company.
13. <i>The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues.</i>	At each Board meeting the Investment Manager presents an update on the investment performance of the Company and a report detailing compliance with the investment policy and guidelines during the preceding period, outlining any instances where approval for investment decisions was sought from either the Board or the Chairman. The Directors review the Company's activity over the period to ensure it adheres to its investment policy or, if it is considered appropriate, to authorise any change in policy. The Company Secretary and other advisors, as appropriate, assist the Chairman in his responsibility for ensuring the Directors receive accurate, timely and clear information including updates on investor relations, industry related issues and the activities of the Company's peer group. The Company Secretary attends all Board and Committee meetings and advises the Board, through the Chairman, on all matters relating to Board procedures and corporate governance.
14. <i>Boards should give sufficient attention to overall strategy.</i>	The Board discusses the performance and position of the Company at every Board meeting. Investment strategy and policy and the continuation of the Company are regularly discussed. Significant changes in the shareholder register are also reviewed at each Board meeting to ensure the Company's position and performance remain in the interests of the shareholders.

Corporate Governance Report (continued)

Principle	Company Compliance
15. <i>The board should regularly review the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).</i>	The Board has not established a Management Engagement Committee. The performance of and contractual arrangements with the Investment Manager are considered annually and discussed by the Board as a whole. Mr Spiller, as representative of the Investment Manager, is not present during the discussions. Details of the items considered in the evaluation of the Investment Manager and the rationale for the continuance of the contract can be found in the Report of the Directors on page 11.
16. <i>The board should agree policies with the manager covering key operational issues.</i>	The Investment Manager operates under an investment policy and within guidelines drawn up by the Board. The guidelines set out parameters within which the Investment Manager operates, including the overall investment strategy of the Company. Any proposed deviation from the guidelines is required to be discussed with and agreed by the Board, or by the Chairman on behalf of the Board where authority is required between Board meetings. The Investment Manager reports at every Board meeting on the performance of the Company and submits a statement of compliance with the investment policy. The Board monitor the Investment Manager's performance and adherence to the policy, and regularly discuss the investment strategy of the Company. Unless specifically directed by the Board, the Investment Manager has the authority to vote the shares held in investee companies in the best interests of the Company and will bring to the attention of the Board any matters requiring direction or of a contentious nature.
17. <i>Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.</i>	The Board considers the performance of the Company's shares and the portfolio at every Board meeting and considers any actions required to improve performance.
18. <i>The board should monitor and evaluate other service providers.</i>	The Board has engaged external firms to undertake the secretarial, accounting, registration and custodial activities of the Company, and has delegated authority to them. The Board has considered fully the services offered and the internal control system of each provider prior to entering into the contracts. The Board evaluates annually the external firms to ensure that services delegated are being performed satisfactorily, effectively and competitively.

Shareholder Communications

19. <i>The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.</i>	The Board reviews large transactions within the shareholder register as they occur and at Board meetings where required. All shareholders have the opportunity to attend and vote at the Annual General Meeting during which the Investment Manager makes a presentation and the Directors are available to discuss key issues affecting the Company. It is the intention of the Board to continue to hold AGMs in London but will consider the geographic spread of shareholders and shareholder sentiment in respect of holding AGMs in Belfast from time to time. Informal communications with major shareholders continue to be maintained by the Chairman and/or Investment Manager in order that the Board has an understanding of their views on the Company. In addition, each of the Directors, including the Investment Manager, is always available to discuss issues of concern raised by any of the shareholders. Shareholders and others may contact the Company and/or its service providers via the Company's website, www.capitalgearingtrust.com. Separate resolutions are proposed at general meetings for each item of business and the proxy card allows for shareholders to withhold their vote. The results of the proxy votes received in respect of each resolution proposed are announced at the meeting and published on the Company's website after the meeting.
20. <i>The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.</i>	When appropriate, the Board is directly involved in and responsible for communications on major corporate issues.

Corporate Governance Report (continued)

Principle	Company Compliance
21. <i>The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.</i>	The Annual and Half Year Report and Accounts are posted to all shareholders and are also available to view on the Company's website along with the Interim Management Statements and the full portfolio list at each year end. The Annual Report and Accounts set out the responsibilities reserved for the Board and those delegated to the Investment Manager. The Board has decided to continue to publish via a regulatory information service a monthly portfolio update as it is considered to be a useful update for shareholders and others taking an interest in the Company.

Other Governance

The Company has neither Executive Directors nor any employees. A formal whistleblowing policy has therefore not been adopted; however the Board has agreed a procedure through which any of the Directors or employees of external service providers can bring to the attention of the Chairman or Senior Independent Director matters of concern to them. The Company has adequate Directors' and Officers' Liability Insurance in place for all Directors which is reviewed and renewed annually.

Internal control

The Directors acknowledge that they are responsible for ensuring that the Company's activities are subject to a system of internal control and for reviewing its effectiveness. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Whilst acknowledging this responsibility they also recognise that the existence of a system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the October 2005 guidance 'Internal Control: Revised guidance for Directors on the Combined Code' (the 'Turnbull guidance (2005)'). The Board has established a continuous process for identifying, calculating and managing significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of the annual report and is subject to an annual review by the Board in accordance with the Turnbull guidance (2005). This process includes written agreements with service providers and is regularly reviewed by the Board, which includes a review of internal controls by the Audit Committee.

In common with the majority of investment trusts, the Board has decided that the most effective way to manage the Company is for the Directors to determine investment strategy and for the day to day administration, detailed investment decisions and custodial functions to be delegated to organisations which 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. These organisations maintain their own systems of internal control.

The Board undertakes periodic reviews of the Company's system of internal controls and receive where appropriate from relevant service providers a report on their internal controls, control policies and procedures in operation. For this reason and because the Company itself has no employees, it does not have an internal audit function. The Board will continue to monitor the effectiveness of the system of internal control on an ongoing basis in order to provide assurance that it operates as intended and the Audit Committee will review annually whether an internal audit function is required. The Board has introduced a Risk Map to assist it in monitoring and mitigating the risks faced by the Company. The Risk Map is subject to review and, where necessary, revision at least annually. The system of internal control was in place throughout the year and up to the date of approval of this report. The Board confirms that all necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from the ongoing review of the effectiveness of internal controls.

Matters Reserved for the Board

There is a formal schedule of matters reserved for the Board which includes inter alia specific duties in relation to the final approval of the annual and half year financial statements and other statutory requirements, performance evaluation of Directors and service providers, matters of a stock exchange or internal control nature and areas of investment strategy, performance and management.

Audit Committee

The Company has a separate Audit Committee consisting of Mr J C Morton (Chairman) and Mr E G Meek. The Board considers that Mr Morton has sufficient and relevant financial experience and that both Mr Meek and Mr Morton meet the independence requirements.

Mr T R Pattison was appointed as a member of the Audit Committee with effect from 19 May 2009, to reflect best practice and to give greater flexibility in the holding of Audit Committee meetings. The Terms of Reference of the Committee are available on request from the Company Secretary and are also available on the Company's website at www.capitalgearingtrust.com. The Committee meets with the Auditors to consider any matters arising from the financial statements or the audit and meets at least once a year with the Company's Auditors without the presence of the Investment Manager. The main duties of the Audit Committee that have been delegated by the Board are:

- reviewing the integrity of the financial statements and related announcements;
- reviewing the Company's internal control and risk management systems; and
- reviewing the appointment and remuneration of the Auditors, together with the Auditors' objectivity and independence including the provision by them of any non-audit services.

The non-audit services provided by the Auditors relate to tax services that do not, in the opinion of the Board, compromise the independence of the audit team. The proposed provision of any other non-audit services would be considered on a case by case basis by the Audit Committee.

Corporate Governance Report (continued)

Nominee Share Code

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

Compliance with the recommendations of the AIC and Combined Codes issued in 2006

Subject to the exceptions explained in the foregoing table and paragraphs, during the financial year the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code.

By Order of the Board



TMF Nominees Limited
Secretary
27 May 2009

Directors' Remuneration Report

This report is prepared in accordance with Section 421 of the Companies Act 2006. The Company's Auditors are required to report on certain information contained within this report. The Auditors' opinion is included within the Auditors' report set out on page 20. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting ('AGM').

Directors' emoluments for the year (audited)

The Directors who served during the year received remuneration as detailed below and in note 5 to the financial statements on page 27. The level of remuneration is reviewed, and amended where appropriate, on a bi-annual basis.

	2009 £'000	2008 £'000
Mr T R Pattison (Chairman of the Board)	20	12
Mr J C Morton (Chairman of the Audit Committee)	15	9
Mr R P A Spiller	13	7
Mr E G Meek	13	7
	61	35

Consideration of matters relating to Directors' remuneration

As the Board is small, it is considered unnecessarily burdensome to establish a separate Remuneration Committee; the functions of such are therefore carried out by the Board as a whole. Mr R P A Spiller leaves the meeting when issues relating to the fees of the Investment Manager are discussed. The level of Directors' fees is reviewed every alternate year relative to the work involved as well as the fees of the directors of comparable companies.

Statement of the Company's policy on Directors' remuneration

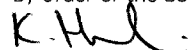
It is the Board's policy that none of the Directors has a service contract. The fees payable to the Directors are limited to a total of £100,000 per annum, divided among the Directors in such proportions and in such manner as the Board may determine from time to time.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. Each Director is entitled to be repaid all reasonable travel, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board, any committee of the Board and any general meetings of the Company.

Performance graph

A graph showing the Company's Net Asset Value compared with the FTSE Equity Investment Instruments Index over the period from 1982 to date is shown on page 7. A comparison of the Company's share price total return (assuming all dividends are reinvested) to shareholders over the last five years, compared with the FTSE Equity Investment Instruments Index, which reflects the performance of similar companies, is shown below:

By Order of the Board



TMF Nominees Limited
Secretary
27 May 2009

Independent Auditors' Report to the Members of Capital Gearing Trust p.l.c

We have audited the financial statements of Capital Gearing Trust p.l.c for the year ended 5 April 2009 which comprise the Income Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ethical standards for auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 5 April 2009 and of its net return and cash flows 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 13, in relation to going concern; and
- the parts of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.



Martin Pitt (Senior Statutory Auditor) for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
27 May 2009

Income Statement

for the year ended 5 April 2009

	Note	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Net losses on investments	9	–	(4,566)	(4,566)	–	(14)	(14)
Exchange gains	9	–	4,293	4,293	–	3,008	3,008
Investment income	2	1,417	–	1,417	1,123	–	1,123
Gross return/(loss)		1,417	(273)	1,144	1,123	2,994	4,117
Investment management fee	3	(147)	(344)	(491)	(159)	(370)	(529)
VAT refund on investment management fee	3, 15	101	237	338	–	–	–
Transaction costs		–	(75)	(75)	–	(68)	(68)
Other expenses	4	(357)	–	(357)	(273)	–	(273)
Net return/(loss) on ordinary activities before tax		1,014	(455)	559	691	2,556	3,247
Tax on ordinary activities	6	(218)	92	(126)	(95)	95	–
Net return/(loss) attributable to equity shareholders	16	796	(363)	433	596	2,651	3,247
Return/(loss) per Ordinary Share	8	28.48p	(12.99)p	15.49p	21.32p	94.85p	116.17p

The total column of this statement is 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.

Statement of Total Recognised Gains and Losses

for the year ended 5 April 2009

	2009 £'000	2008 £'000
Net return attributable to equity shareholders	433	3,247
Total gains and losses recognised for the year	433	3,247

The notes on pages 25 to 34 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 5 April 2009

	Note	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Revenue reserve £'000	Total £'000
Balance at 6 April 2007		699	8,114	16	8,692	37,881	1,174	56,576
Exchange gains on investments	9	–	–	–	3,008	–	–	3,008
Net gains on realisation of investments	9	–	–	–	–	601	–	601
Net decrease in unrealised appreciation	9	–	–	–	(615)	–	–	(615)
Transfer on disposal of investments		–	–	–	(3,028)	3,028	–	–
Transaction costs	9	–	–	–	(48)	(20)	–	(68)
Costs charged to capital	3	–	–	–	–	(370)	–	(370)
Tax on costs charged to capital	6	–	–	–	–	95	–	95
Net revenue for the year		–	–	–	–	–	596	596
Total		699	8,114	16	8,009	41,215	1,770	59,823
Dividends	7	–	–	–	–	–	(391)	(391)
Balance at 5 April 2008		699	8,114	16	8,009	41,215	1,379	59,432
Balance at 6 April 2008		699	8,114	16	8,009	41,215	1,379	59,432
Exchange gains on investments	9	–	–	–	3,627	666	–	4,293
Net gains on realisation of investments	9	–	–	–	–	2,527	–	2,527
Net decrease in unrealised appreciation	9	–	–	–	(7,093)	–	–	(7,093)
Transfer on disposal of investments		–	–	–	(1,232)	1,232	–	–
Transaction costs	9	–	–	–	(64)	(11)	–	(75)
Costs charged to capital	3	–	–	–	–	(344)	–	(344)
VAT refund	15	–	–	–	–	237	–	237
Tax on costs charged to capital	6	–	–	–	–	92	–	92
Net revenue for the year		–	–	–	–	–	796	796
Total		699	8,114	16	3,247	45,614	2,175	59,865
Dividends	7	–	–	–	–	–	(461)	(461)
Balance at 5 April 2009		699	8,114	16	3,247	45,614	1,714	59,404

The notes on pages 25 to 34 form an integral part of these financial statements.

Balance Sheet

at 5 April 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments:			
Listed investments	9	57,550	54,851
Current assets			
Debtors	10	1,525	4,558
Cash at bank		634	239
Creditors: amounts falling due within one year	11	2,159 (305)	4,797 (216)
Net current assets		1,854	4,581
Net assets		59,404	59,432
Capital and Reserves			
Called up share capital	12	699	699
Share premium account	13	8,114	8,114
Capital redemption reserve	13	16	16
Capital reserve – unrealised	13	3,247	8,009
Capital reserve – realised	13	45,614	41,215
Revenue reserve	13	1,714	1,379
Total shareholders' funds	16	59,404	59,432
Net asset value per Ordinary Share	14	2,125.4p	2,126.4p

Approved by the Board on 27 May 2009 and signed on its behalf by:



Mr T R Pattison
Chairman

The notes on pages 25 to 34 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 5 April 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	17	942	215
Foreign tax paid on investment income		(60)	–
Capital expenditure and financial investment			
Payments to acquire investments		(24,013)	(15,030)
Receipts from sale of investments		20,966	15,826
		(3,047)	796
Equity dividends paid		(461)	(391)
Management of liquid resources			
Change in cash held by custodians awaiting investment		3,021	(609)
Increase in cash	19	395	11

The notes on pages 25 to 34 form an integral part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies', revised December 2005 (the 'SORP').

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

b) Valuation of investments

Listed investments, which in accordance with FRS 26 are classified as fair value through profit or loss, are initially recognised at fair value. After initial recognition these continue to be measured at fair value, which for listed investments is at bid price. 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.

Transaction costs are recognised as Capital and are included in the Capital column of the Income Statement. Transaction costs on purchases of investments are included in Capital Reserve – Unrealised and transaction costs on disposals of investments are included in Capital Reserve – Realised. On disposal of investments denominated in foreign currencies, the exchange differences previously taken to capital reserve – unrealised are transferred to capital reserve – realised.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised, as explained in note 1 h) below.

Year end exchange rates are used to translate the value of investments which are denominated in foreign currencies. Exchange differences arising from re-translation of the opening net investments are taken to capital reserve.

c) Dividends

Under FRS 21 final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the Balance Sheet date. Interim dividends are recognised only when paid. Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

Special dividends receivable have been taken to capital as recommended by the SORP where relevant circumstances indicate that the dividends are capital in nature.

d) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date, 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 brought into account when the Company's right to receive payment is established.

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. The amount recognised as a capital return on index linked securities in the year was £389,000 (2008: £231,000).

In accordance with the Company's status as a UK Investment Company under Section 833 of the Companies Act 2006, net capital returns may not be distributed by way of a dividend.

Other income is accounted for on an accruals basis.

e) Expenses

All expenses are accounted for on an accruals basis and, with the exception of the investment management fees, are inclusive of value added tax ('VAT'). The payment of VAT on management fees was suspended by HM Revenue and Customs from October 2007. Expenses are charged through the revenue account except when expenses are charged to capital reserve – realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees have been allocated 70% to capital reserve realised and 30% to revenue, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Due to the Company's investment trust status, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, it has not provided for any deferred tax on capital gains or losses arising on the revaluation of investments.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

1 Accounting policies continued

f) Taxation continued

The tax effect of the allocation of expenditure between capital and revenue is reflected in the financial statements using the Company's effective rate of tax for the year.

g) Foreign currency

Transactions denominated in foreign currencies are recorded in the local 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.

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 pounds sterling.

h) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end; and
- unrealised exchange differences of a capital nature.

2 Investment Income

	2009 £'000	2008 £'000
Income from investments:		
Income from UK bonds	265	127
Income from UK equity and non-equity investments	241	214
Overseas interest	836	606
	1,342	947
Deposit interest	75	176
Total income	1,417	1,123

	2009 £'000	2008 £'000
Total income comprises:		
Dividends	241	214
Interest	1,176	909
	1,417	1,123

	2009 £'000	2008 £'000
Income from investments comprises:		
Listed in the UK	506	341
Listed overseas	836	606
	1,342	947

Notes to the Financial Statements (continued)

3 Investment management fee

	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Investment management fee	147	344	491	159	370	529
VAT refund on investment management fee	(101)	(237)	(338)	—	—	—
Net investment management fee	46	107	153	159	370	529

The Company's Investment Manager CG Asset Management Limited received an annual management fee equal to 0.85% of the gross assets of the Company. At 5 April 2009 £123,678 (2008: £124,812) was payable. All costs until October 2007 were inclusive of VAT. The payment of VAT on management fees was suspended by HM Revenue and Customs from October 2007. During the year a VAT refund was received in respect of VAT charged on investment management fees prior to October 2007. This is further explained in note 15.

70% of the total investment management fee and connected costs are allocated to the capital reserve – realised.

4 Other expenses

	2009 £'000	2008 £'000
Administrative expenses:		
Portfolio administration	68	67
Auditors' remuneration:		
Statutory audit	16	16
Auditors' remuneration for taxation services:		
Compliance	7	14
Other advisory	5	3
Directors' remuneration (note 5)	61	35
Company secretarial and accountancy services	95	88
Legal and professional fees relating to share sale and purchase facility	49	—
General expenses	56	50
	357	273

The above expenses include irrecoverable VAT where appropriate.

5 Directors' fees

	2009 Total £'000	2008 Total £'000
The fees payable to the Directors were as follows:		
Mr T R Pattison	20	12
Mr J C Morton	15	9
Mr R P A Spiller	13	7
Mr E G Meek	13	7
	61	35

Mr R P A Spiller's fees are paid directly to his employer and VAT is an additional cost thereon. The Company made no pension contributions (2008: £nil) in respect of Directors and no pension benefits are accruing to any Director (2008: £nil).

Mr R P A Spiller received remuneration totalling £55,000 (2008: £43,000) from CG Asset Management Limited in respect of services provided by that company to Capital Gearing Trust p.l.c.

Details of transactions with CG Asset Management Limited, of which Mr R P A Spiller is a director, are disclosed in note 3. There were no other transactions with Directors during the year.

Notes to the Financial Statements (continued)

6 Tax on ordinary activities

	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Current tax:						
Corporation tax	(203)	92	(111)	(95)	95	–
Foreign tax	(15)	–	(15)	–	–	–
Total current tax	(218)	92	(126)	(95)	95	–

The current tax charge is reconciled to the standard rate of Corporation Tax of 28% (2008: 30%) by the following factors:

	Revenue £'000	Capital £'000	2009 Total £'000	Revenue £'000	Capital £'000	2008 Total £'000
Return on ordinary activities before taxation	1,014	(455)	559	691	2,556	3,247
Return on ordinary activities at the standard rate of UK Corporation Tax	284	(127)	157	207	767	974
UK franked dividends*	(68)	–	(68)	(64)	–	(64)
Capital returns*	–	97	97	–	(862)	(862)
Adjustment for reduced rate of tax	(13)	6	(7)	(48)	–	(48)
Losses brought forward	–	(68)	(68)	–	–	–
Irrecoverable foreign tax	15	–	15	–	–	–
Current tax charge for the year	218	(92)	126	95	(95)	–

* these items are not subject to Corporation Tax within an investment trust company.

No Provision for deferred tax was required at 5 April 2009.

7 Dividends

	2009 Total £'000	2008 Total £'000
Ordinary Shares		
2008 dividend paid 14 July 2008 (16.5p per share)	461	–
2007 dividend paid 17 August 2007 (14.0p per share)	–	391

The Directors have recommended to shareholders a final dividend of 22.0 pence per share for the year ended 5 April 2009. If approved, this dividend will be paid to shareholders on 13 July 2009. This dividend is subject to approval by shareholders at the Annual General Meeting and, therefore, in accordance with FRS 21, it has not been included as a liability in these financial statements. The total estimated dividend to be paid is £615,000.

	2009 Total £'000	2008 Total £'000
Revenue available for distribution by way of dividend for the year	796	596
Proposed final dividend of 22.0p for the year ended 5 April 2009	(615)	(461)
Undistributed revenue for section 842 Income and Corporate Taxes Act 1988 purposes*	181	135

* Undistributed revenue comprises approximately 13.5% (2008: 14.3%) of income from investments of £1,342,000 (2008: £947,000).

8 Return/(loss) per Ordinary Share

The return per Ordinary Share of 15.49p (2008: 116.17p) is based on the total net return after taxation for the financial year of £433,000 (2008: £3,247,000) and on 2,794,906 (2008: 2,794,906) Ordinary Shares, being the weighted average number of Ordinary Shares in issue in each year.

Revenue return per Ordinary Share of 28.48p (2008: 21.32p) is based on the net revenue return on ordinary activities after taxation of £796,000 (2008: £596,000) and on 2,794,906 (2008: 2,794,906) Ordinary Shares, being the weighted average number of Ordinary Shares in issue in each year.

Capital loss per Ordinary Share of 12.99p (2008: return of 94.85p) is based on the net capital loss for the financial year of £363,000 (2008: return of £2,651,000) and on 2,794,906 (2008: 2,794,906) Ordinary Shares, being the weighted average number of Ordinary Shares in issue in each year.

Notes to the Financial Statements (continued)

9 Listed investments

	2009 £'000	2008 £'000
Investments comprise –		
Listed investment companies:		
Incorporated in the United Kingdom	13,803	18,654
Incorporated overseas	2,081	2,774
Listed United Kingdom government bonds	9,282	6,630
Listed United Kingdom non-government bonds	2,332	370
Listed overseas government bonds	28,218	22,831
Listed overseas non-government bonds	–	1,494
Miscellaneous international equities	1,834	2,098
	57,550	54,851
Cost of investments held at 6 April	46,842	44,029
Unrealised appreciation at 6 April	8,009	8,692
Fair value of investments held at 6 April	54,851	52,721
Additions at cost	24,013	15,030
Disposals proceeds	(20,966)	(15,826)
Transaction costs	(75)	(68)
Exchange gains	4,293	3,008
Disposals – realised gains	2,527	601
Decrease in unrealised appreciation	(7,093)	(615)
Fair value of investments held at 5 April	57,550	54,851
Book cost at 5 April	54,303	46,842
Unrealised appreciation at 5 April	3,247	8,009
	57,550	54,851
Exchange gains	4,293	3,008
Disposals – realised gains	2,527	601
Decrease in unrealised appreciation	(7,093)	(615)
Losses on investments	(4,566)	(14)

The geographical spread of investments is shown on page 5.

10 Debtors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts due from brokers, on deposit	1,067	4,088
Prepayments and accrued income	458	470
	1,525	4,558

11 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Taxation payable	66	–
Accruals and deferred income	239	216
	305	216

Notes to the Financial Statements (continued)

12 Called up share capital

	2009 £'000	2008 £'000
Authorised		
4,000,000 Ordinary Shares of 25p each	1,000	1,000
Allotted and fully paid		
At the beginning of the year: 2,794,906 Ordinary Shares (2008: 2,794,906)	699	699
At the end of the year: 2,794,906 Ordinary Shares (2008: 2,794,906)	699	699

13 Reserves

	Share premium reserve £'000	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Revenue reserve £'000
Balance at 6 April 2008	8,114	16	8,009	41,215	1,379
Exchange gains on investments	–	–	3,627	666	–
Net gains on realisation of investments	–	–	–	2,527	–
Net decrease in unrealised appreciation	–	–	(7,093)	–	–
Transfer on disposal of investments	–	–	(1,232)	1,232	–
Transaction costs	–	–	(64)	(11)	–
Costs charged to capital	–	–	–	(344)	–
VAT refund on investment management fee	–	–	–	237	–
Tax on costs charged to capital	–	–	–	92	–
Net revenue for the year	–	–	–	–	796
Dividends	–	–	–	–	(461)
Balance at 5 April 2009	8,114	16	3,247	45,614	1,714

The revenue reserve is the only reserve from which dividends can be paid.

Under the terms of the Company's Articles of Association, sums standing to the credit of Capital Reserves are available for distribution only by way of redemption or purchase of any of the Company's own shares. The Company may only distribute accumulated realised profits. The Institute of Chartered Accountants in England and Wales has issued guidance (TECH01/08), stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits amounting to £3,247,000 in respect of such securities, currently included within the Capital Reserve – Unrealised, may be regarded as distributable under Company Law.

14 Net Asset Value per Share

The net asset value per share and the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association were as follows:

Net Asset Value per Share attributable to

	2009	2008
Ordinary Shares (basic)	2,125.4p	2,126.4p

Net Asset Value attributable to

	2009 £'000	2008 £'000
Ordinary Shares (basic)	59,404	59,432

The movements during the year in the assets attributable to the Ordinary Shares were as follows:

	Assets attributable to Ordinary Shares £'000
Total net assets attributable at 6 April 2008	59,432
Total recognised gains for year	433
Dividends appropriated in the year	(461)
Total net assets attributable at 5 April 2009	59,404

Net asset value per Ordinary Share is based on the net assets, as shown above, and on 2,794,906 (2008: 2,794,906) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

Notes to the Financial Statements (continued)

15 VAT refund on investment management fee

The VAT refund relates to a decision of the European Court of Justice in June 2007 that investment trusts should be exempt from paying VAT on management fees. During the year the Company received £307,000 in respect of this VAT refund together with £31,000 in respect of interest thereon. The VAT refund was apportioned to revenue and capital in the same ratio as the management fees as described in note 3.

16 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Opening equity shareholders' funds	59,432	56,576
Total recognised gains for the year	433	3,247
Dividends	(461)	(391)
Closing equity shareholders' funds	59,404	59,432

17 Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2009 £'000	2008 £'000
Net revenue before finance costs and taxation	1,014	691
Investment management fee and other expenses charged to capital	(344)	(370)
VAT refund credited to capital	237	-
Decrease/(increase) in accrued income	11	(101)
Increase/(decrease) in creditors	23	(14)
Decrease in debtors	1	9
Net cash inflow from operating activities	942	215

18 Analysis of net funds

	2009 £'000	2008 £'000
Cash at bank	634	239

19 Reconciliation of net cash flow to movement in net funds

	2009 £'000	2008 £'000
Net funds at beginning of the year	239	228
Increase in cash for the year	395	11
Net funds at end of the year	634	239

20 Financial instruments

The Company's financial instruments comprise:

- Investment Trust Ordinary Shares, Investment Trust Capital Shares, Investment Trust Zero Dividend Preference Shares, Commodity Funds and Real Estate, 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 price risk, interest rate risk, credit risk and currency risk. The Board regularly reviews and agrees policies for managing 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 as reduced by appropriate allowances for estimated irrecoverable amounts.

Market price risks

Market price 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.

Notes to the Financial Statements (continued)

20 Financial instruments continued

Market price risks continued

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 in order to consider investment strategy. A list of the main investments held by the Company is shown on pages 5 and 6. All investments are stated at bid value, which in the Directors' opinion is equal to fair value.

Price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per share to an increase or decrease of 5% 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 balance sheet date with all other variables held constant.

	2009 5% increase in market prices £'000	2009 5% decrease in market prices £'000	2008 5% increase in market prices £'000	2008 5% decrease in market prices £'000
Income statement – net return after taxation				
Revenue return	(8)	8	(7)	7
Capital return	2,864	(2,864)	2,723	(2,723)
Total return after taxation	2,856	(2,856)	2,716	(2,716)
Net assets	2,856	(2,856)	2,716	(2,716)
Net Asset Value per Share	102.19p	(102.19)p	97.18p	(97.18)p

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 bond 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 different price to its purchase level and a profit or loss may be incurred.

Interest rate sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per share to an increase or decrease of 1% in regard to the Company's monetary financial assets and financial liabilities. The financial assets affected by interest rates are funds held by brokers 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 balance sheet date with all other variables held constant.

	2009 1% increase in market rates £'000	2009 1% decrease in market rates £'000	2008 1% increase in market rates £'000	2008 1% decrease in market rates £'000
Income statement – net return after taxation				
Revenue return	8	(8)	41	(41)
Capital return	–	–	–	–
Total return after taxation	8	(8)	41	(41)
Net assets	8	(8)	41	(41)
Net asset value per share	0.29p	(0.29)p	1.47p	(1.47)p

Notes to the Financial Statements (continued)

20 Financial instruments continued

The interest rate profile of the Company's assets at 5 April 2009 was as follows:

	Total (as per Balance Sheet) £'000	Floating rate £'000	Index linked £'000	Other fixed rate £'000	Financial 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	15,884	–	–	–	15,884	–	–
UK government bonds – Index linked	7,152	–	7,152	–	–	2.3	5.0
UK government bonds	2,130	–	–	2,130	–	4.1	2.9
UK non-government bonds	1,330	–	–	1,330	–	4.4	6.0
UK non-government bonds*	1,002	1,002	–	–	–	–	–
Overseas government bonds – Index linked	12,679	–	12,679	–	–	1.8	11.3
Overseas government bonds	15,539	–	–	15,539	–	3.4	14.8
Other equities	1,834	–	–	–	1,834	–	–
Brokers' deposits	1,067	1,064	–	–	3	–	–
Invested Funds	58,617	2,066	19,831	18,999	17,721	–	–
Cash at bank	634	–	–	–	634	–	–
Other debtors	458	–	–	–	458	–	–
Liabilities							
Creditors	(305)	–	–	–	(305)	–	–
Total net assets	59,404	2,066	19,831	18,999	18,508	–	–

*Smith & Williamson Investment Funds

The interest rate profile of the Company's assets at 5 April 2008 was as follows:

	Total (as per Balance Sheet) £'000	Floating rate £'000	Index linked £'000	Other fixed rate £'000	Financial 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	21,428	–	–	–	21,428	–	–
UK government bonds – Index linked	5,625	–	5,625	–	–	2.1	5.7
UK government bonds	1,005	–	–	1,005	–	3.1	2.2
UK non-government bonds	370	–	–	370	–	1.8	4.2
Overseas government bonds – Index linked	12,318	–	12,318	–	–	2.5	19.1
Overseas government bonds	10,513	–	–	10,513	–	3.4	11.5
Overseas non-government bonds	1,494	–	–	1,494	–	0.1	0.1
Other equities	2,098	–	–	–	2,098	–	–
Brokers' deposits	4,088	4,058	–	–	30	–	–
Invested Funds	58,939	4,058	17,943	13,382	23,556	–	–
Cash at bank	239	–	–	–	239	–	–
Other debtors	470	–	–	–	470	–	–
Liabilities							
Creditors	(216)	–	–	–	(216)	–	–
Total net assets	59,432	4,058	17,943	13,382	24,049	–	–

Fair value of financial assets and liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or at a reasonable approximation of fair value. The fair values are calculated using prices quoted on the exchange on which the instruments trade.

Notes to the Financial Statements (continued)

20 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:

	2009 £'000	2008 £'000
Canadian Dollar	933	1,773
Euro	7,772	9,057
US Dollar	12,074	1,196
Swedish Krona	637	5,070
Swiss Franc	7,767	6,087
Japanese Yen	—	1,494
	29,183	24,677

Foreign currency sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the net assets and net asset value per share to an increase or decrease of 5% 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 balance sheet date with all other variables held constant.

	2009 5% appreciation of Sterling £'000	2009 5% depreciation of Sterling £'000	2008 5% appreciation of Sterling £'000	2008 5% depreciation of Sterling £'000
Income statement – net return after taxation	—	—	—	—
Revenue return	(1,459)	1,459	(1,216)	1,216
Capital return	(1,459)	1,459	(1,216)	1,216
Total return after taxation	(1,459)	1,459	(1,216)	1,216
Net assets	(52.20)p	52.20p	(43.51)p	43.51p
Net asset value per Share	(52.20)p	52.20p	(43.51)p	43.51p

Liquidity risk

Liquidity risk is not considered to be significant as the Company has no bank loans or other borrowings. All liabilities are payable within one year.

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. 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 prospective investments.

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 balance sheet the maximum credit risk exposure is:

	2009 Balance sheet £'000	2009 Maximum exposure £'000	2008 Balance sheet £'000	2008 Maximum exposure £'000
Fixed assets – listed investments at fair value through profit and loss	57,550	39,088	54,851	31,325
Debtors – amounts due from brokers, dividends and interest receivable	1,518	1,518	4,550	4,550
Cash at bank	634	634	239	239
	59,702	41,240	59,640	36,114

21 Related Party Transactions

Related party transactions with Mr R P A Spiller, a Director of the Company, are disclosed in note 5 to the financial statements. There were no other related party transactions.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty Sixth Annual General Meeting (the 'Meeting') of the Company will be held at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH on Wednesday, 8 July 2009 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive and consider the Report and Accounts for the year ended 5 April 2009.
2. To approve the Directors' Remuneration Report for the year ended 5 April 2009.
3. To declare a final dividend for the year ended 5 April 2009.
4. To re-elect Mr T R Pattison as a Director of the Company.
5. To re-elect Mr R P A Spiller as a Director of the Company.
6. To re-elect Mr J C Morton as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company, to hold office until the conclusion of the next general meeting at which financial statements are laid before the Members.
8. To authorise the Directors to determine the Auditors' remuneration.

Special business

To consider and, if thought fit, pass the following Resolutions as Ordinary and Special Resolutions respectively.

Ordinary Resolution

Authority to Allot Shares

9. THAT in substitution of all existing authorities, the Directors be and are hereby generally and unconditionally authorised for the purposes of Article 90 of the Companies (Northern Ireland) Order 1986 (the 'Order') to exercise all powers of the Company to allot relevant securities (as defined by Article 90 of the Order), up to a maximum aggregate nominal amount of £301,273.50, being the remaining unissued share capital of the Company at 27 May 2009 and representing 1,205,094 Ordinary Shares of 25p each, provided that such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010, 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

Authority to Repurchase Shares

10. THAT the Company be and is hereby authorised in accordance with Article 176 of the Companies (Northern Ireland) Order 1986 (the 'Order') to make market purchases (within the meaning of Article 173 of the Order) of Ordinary Shares, provided that:
 - a) the maximum aggregate number of Ordinary Shares to be purchased shall be 418,956 or, if less, the number representing 14.99% of the issued share capital 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 25p;
 - 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 Annual General Meeting of the Company to be held in 2010 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.

Disapplication of Pre-emption Rights

11. THAT in substitution of all existing powers the Directors be and are hereby empowered, pursuant to Article 105 of the Companies (Northern Ireland) Order 1986 (the 'Order') to allot equity securities (as defined in Article 104(2) of the Order) for cash pursuant to the authority conferred on them by resolution 9 above or otherwise as if Article 99 (1) of the Order did not apply to any such allotment and to sell relevant shares (within the meaning of Article 172D of the Order) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Article 172A of the Order ('treasury shares')), for cash as if Article 99 (1) of the Order 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, pursuant to:

Notice of Annual General Meeting (continued)

Disapplication of Pre-Emption Rights continued

- 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 25p each in the Company 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
- b) (otherwise than pursuant to sub-paragraph a) above) up to an aggregate nominal value of £69,872 or, if less, the number representing 10% of the issued share capital at the date of the Meeting at which this resolution is passed; and

this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010, 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.

12. 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



TMF Nominees Limited
Company Secretary

Waterfront Plaza, 8 Laganbank Road
Belfast BT1 3LR
27 May 2009

Location of Annual General Meeting

1 Embankment Place
London
WC2N 6RH

at 11:00 a.m. on Wednesday, 8 July 2009

Nearest National Rail Stations:

Charing Cross
Waterloo

Nearest London Underground:

Charing Cross – Bakerloo, Jubilee and Northern Lines
Embankment – Bakerloo, Circle, District and Northern Lines
Leicester Square – Northern and Piccadilly Lines

Notice of Annual General Meeting (continued)

Notes

1. A member entitled to attend, speak and vote at the Meeting 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 a meeting, provided that each proxy is appointed to exercise the rights attached to different shares of that member.
2. A form of proxy is enclosed with this notice. Completion and return of such form of proxy will not prevent a member from subsequently attending the Meeting and voting in person if they so wish.
3. To be valid, the proxy form and any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Company's Registrar, by post to, Capita Registrars (Proxies), P.O. Box 25, Beckenham, Kent BR3 4BR, or by hand to, Capita Registrars, Proxy Dept., The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 6 July 2009 (the 'specified time'), or in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which the proxy is to be used. No account shall be taken of any part of any day that is not a working day.
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 meeting. If a nominated person does not have such a right, or has such a right and does not wish to exercise it, he 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. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members detailed in the Register of Members at the specified time shall be entitled to attend and vote at the aforesaid Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after such time shall be disregarded in determining the rights of any person to attend and vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is 48 hours prior to the time fixed for such adjourned meeting.
7. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that: (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (<http://www.icsa.org.uk/>) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
8. Biographical details of the Directors seeking re-election can be found at page 2 of the Report and Accounts.
9. Copies of the letters of appointment for the Non-executive Directors and the Articles of Association will be available for inspection at the Company's registered office and the office of the Company Secretary during usual business hours on any weekday (public holidays excluded) from the date of this notice until the close of the Meeting and will also be available for inspection at the Meeting from 10.30 a.m. until the close of the Meeting.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. 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: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of 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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Shareholder Information

Financial Reporting

Copies of the Company's Annual and Half Year reports and Interim Management Statements 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.

Financial Calendar (guide)

Annual General Meeting	July
Dividend payment date	July/August
Annual Results	May/June
Half Yearly report	October/November
Interim Management Statements	June-August & December-February

Frequency of NAV publication

Monthly

How to invest

Via your bank, stockbroker or other financial adviser.

Sources of further information

Company's Website	www.capitalgearingtrust.com
Financial Times	www.ft.com
AIC	www.theaic.co.uk

Share identification codes

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

Substantial Shareholdings

The Disclosure and Transparency Rules require shareholders of the Company to simultaneously inform the Company and the Financial Services Authority (the 'FSA') of changes to major holdings in the Company's Shares within two trading days of the change.

For further information, please visit the FSA's website:
www.fsa.gov.uk/pages/doing/ukla/company/notifications/index.shtml

Disability Act

Copies of this and other documents issued by the Company can be made available in a variety of formats, including Braille, audio type or larger type as appropriate. You can contact the Registrar to the Company, Capita Registrars, which has installed telephones to allow speech and hearing-impaired people who have their own telephone to contact them directly without the need for an intermediate operator. For this service please call 020 8639 2062. Specially trained operators are available during normal business hours to answer your queries. 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.

Directory

Registered Office	Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3LR
Registered Number	NI 005574
Company Secretary	TMF Nominees Limited 400 Capability Green, Luton LU1 3AE Telephone: 01582 439200 Fax: 01582 439207 E-mail: company.secretary@capitalgearingtrust.com
Registrar	Capita Registrars The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Shareholder Services	Capita Registrars Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA Telephone: 0871 664 0300* From outside the UK: +44 20 8639 3399 Fax: 020 8639 2342 E-mail: ssd@capitaregistrars.com Website: www.capitaregistrars.com *Calls from BT landlines cost 10p/minute plus network extras, calls from other networks and mobiles may vary
Investment Manager	CG Asset Management Limited 25 Moorgate, London EC2R 6AY
Portfolio Manager	Smith & Williamson Investment Management Limited 25 Moorgate, London EC2R 6AY
Bankers	Northern Bank Limited Donegall Square North, Belfast BT1 6LT
Auditors	PricewaterhouseCoopers LLP Waterfront Plaza, 8 Laganbank Road, Belfast BT1 3LR
Corporate Stockbrokers	JP Morgan Cazenove 20 Moorgate, London EC2R 6DA

Shareholder Analysis

As at 5 April:	2009 Number of Shares	2009 % of Issued Capital	2008 Number of Shares	2008 % of Issued Capital
Nominee Companies	2,020,241	72.3	1,925,071	68.9
Private Shareholders	748,063	26.8	842,930	30.1
Banks and Other Companies	26,602	0.9	26,905	1.0
	2,794,906	100	2,794,906	100

Capital Gearing Trust p.l.c
Waterfront Plaza
8 Laganbank Road
Belfast, BT1 3LR

www.capitalgearingtrust.com