

Aberforth Geared Income Trust plc

Initial Accounts

for the period from

15 March 2010
to
28 February 2011

TUESDAY



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29/03/2011
COMPANIES HOUSE

Company registration number 07189761

Directors

Jonathan Cartwright (Chairman) (appointed 30 March 2010)
Michael Greig (appointed 30 March 2010)
Dominic Fisher (appointed 30 March 2010)
Graham Menzies (appointed 15 October 2010)

Investment Managers and Secretaries

Aberforth Partners LLP
14 Melville Street
Edinburgh EH3 7NS

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh EH2 4NH

Registrars

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Custodian

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

Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Registered Office

c/o Dickson Minto WS
The Broadgate Tower
Primrose Street
London EC2A 2EW

Bankers

Royal Bank of Scotland plc
24-25 St Andrew Square
Edinburgh EH2 1AF

Sponsors

JP Morgan Cazenove Limited
10 Aldermanbury
London EC2V 7RF

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Respect of the Initial Accounts

The Directors are responsible under the Companies Act 2006 for preparing the Initial Accounts to enable them to demonstrate that the Company has generated sufficient distributable reserves since incorporation to pay a dividend

The Directors have elected to prepare the Initial Accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union in so far as those requirements are applicable to Initial Accounts. In preparing these Initial Accounts, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Initial Accounts,
- prepare the Initial Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Initial Accounts 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

Disclosure of Information to the Auditors

As far as the Directors are aware and to the best of their knowledge, having made enquiries, there is no relevant audit information of which the Auditors are unaware and the Directors have taken steps to make themselves aware of any relevant audit information and to establish that the Auditors are aware of such information

Going Concern

In accordance with the latest guidance issued by the Financial Reporting Council the Directors have undertaken and documented a rigorous assessment of whether the Company is a going concern. The Directors considered all available information when undertaking the assessment

The Company's assets comprise mainly readily realisable equity securities which, if necessary, can be sold to meet any funding requirements. The company has appropriate financial resources to enable it to meet its day-to-day working capital requirements and the Directors believe that the company is well placed to continue to manage its business risks

The Directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements



Jonathan Cartwright, Chairman

18 March 2011

**REPORT OF THE INDEPENDENT AUDITORS TO THE DIRECTORS OF ABERFORTH
GEARED INCOME TRUST PLC UNDER SECTION 839(5) OF THE COMPANIES ACT
2006**

We have examined the Initial Accounts of Aberforth Geared Income Trust PLC ("the Company") for the period from 15 March 2010 to 28 February 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet and the related notes. The initial accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page 2 the directors are responsible for the preparation of the Initial Accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union in so far as those requirements are applicable to Initial Accounts.

Our responsibility is to report to you our opinion as to whether the Initial Accounts have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

This report, including the opinion, has been prepared for and only for the Company in accordance with Section 839(5) of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, 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.

Opinion

In our opinion, the Initial Accounts for the period from 15 March 2010 to 28 February 2011 have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Karyn Lamont

Karyn Lamont (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditors
Edinburgh
18 March 2011

Statement of Comprehensive Income

For the period from 15 March 2010 to 28 February 2011

	Notes	Revenue return £'000	Capital return £'000	Total £'000
Income				
Investment income	3	2,267	-	2,267
Other income	3	21	-	21
Gains on investments held at fair value through profit or loss	12	-	9,161	9,161
Total income		2,288	9,161	11,449
Expenditure				
Transaction costs	5	-	(799)	(799)
Investment management fee	6	(158)	(366)	(524)
Other operating expenses	7	(150)	-	(150)
Total expenditure		(308)	(1,165)	(1,473)
Profit before finance costs and tax		1,980	7,996	9,976
Finance costs				
Appropriation of ZDP shares	9	-	(1,682)	(1,682)
Issue costs of ZDP shares	9	-	(484)	(484)
Interest	9	(6)	(14)	(20)
Total finance costs		(6)	(2,180)	(2,186)
Profit before taxation		1,974	5,816	7,790
Taxation	8	-	-	-
Profit for the period		1,974	5,816	7,790
Earnings per Ordinary share		4.39p	12 92p	17 31p
Earnings per Zero Dividend Preference Share		-	5 61p	5 61p

The Company does not have any other comprehensive income and hence the profit for the period, as disclosed above, is the same as the Company's total comprehensive income

The total column of this statement represents the Company's Comprehensive Income, prepared in accordance with IFRS as adopted by the European Union. The supplementary revenue return and capital returns columns are both prepared under guidance published by the Association of Investment Companies

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

No operations were acquired or discontinued in the period

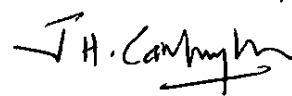
All of the profit and total comprehensive income for the period is attributable to the equity holders of the Company

The accompanying notes on pages 6 to 13 to form part of these financial statements

Balance Sheet

	Notes	As at 28 February 2011 £'000
Non-current assets		
Investments held at fair value through profit or loss	12	81,774
Current assets		
Other receivables	13	426
Cash and cash equivalents		394
		820
Total assets		82,594
Current liabilities		
Other payables	14	(92)
Non-current liabilities		
Zero Dividend Preference Shares	15	(31,682)
Total liabilities		(31,774)
Net Assets		50,820
Equity attributable to equity shareholders		
Called up share capital	16	450
Special reserve	19	43,480
Capital reserve	19	5,816
Revenue reserve	19	1,074
Total equity		50,820
Net asset value per Ordinary Share		112 93p
Net asset value per Zero Dividend Preference Share		105 61p

Approved by the Board and authorised for issue on 18 March 2011 and signed on its behalf by



Jonathan Cartwright, Chairman

The notes on pages 6 to 13 form part of these financial statements

Notes to the Financial Statements

For the period from 15 March 2010 to 28 February 2011

1. General Information

The Company was incorporated on 15 March 2010 and started trading on 30 April 2010 and has a planned fixed life expiring on 30 June 2017. These are Initial Accounts as defined by section 839(4) of the Companies Act 2006, drawn up from the date of incorporation to 28 February 2011. The Initial Accounts have been properly prepared in accordance with sections 395 to 397 of the Companies Act 2006 and comprise a Statement of Comprehensive Income, Company Balance Sheet and Notes to the Financial Statements. The Initial Accounts, as defined above, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, in so far as those requirements are applicable to Initial Accounts.

The Company's presentational currency is pounds sterling. Pounds sterling is also the functional currency because it is the currency which is most relevant to the majority of the Company's shareholders and creditors and the currency in which the majority of the Company's operating expenses are paid.

2. Accounting policies

The principal accounting policies followed are set out below.

(a) Basis of preparation

The Initial Accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in January 2009 is consistent with the requirements of IFRS, in so far as those requirements are applicable to Initial Accounts, the Directors have sought to prepare the Initial Accounts on a basis compliant with the recommendations of the SORP.

The financial position of the Company at 28 February 2011 is shown in the Balance Sheet on page 5. The assets of the Company consist of securities that are readily realisable. The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Initial Accounts.

(b) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

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. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010.

(c) Investments held at fair value through profit or loss

The Company's investments have been categorised as "financial assets at fair value through profit or loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Listed

investments are valued at their fair value which is represented by the bid price at the Balance Sheet date, without deduction of estimated future selling costs. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its fair value.

As investments have been categorised as "financial assets at fair value through profit or loss", gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income as "Gains and losses on investments held at fair value through profit or loss". Also included within this caption are transactions costs on the acquisition or disposal of a security. Acquisitions and disposals of investments are accounted for on a trade date basis.

All investments, classified as fair value through profit or loss, are further categorised into the following fair value hierarchy:

Level 1 - Unadjusted prices quoted in active markets for identical assets and liabilities,

Level 2 - Having inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3 - Having inputs for the asset or liability that are not based on observable data

All investments currently held by the Company are categorised as Level 1 and are traded on the London Stock Exchange.

(d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Accordingly Ordinary Shares are classified as equity and Zero Dividend Preference Shares are classified as financial liabilities.

(e) Reserves

- (a) Share Premium - Represents the premium paid on the issue of Ordinary shares. The value of the reserve was cancelled and transferred to a special reserve in July 2010.
- (b) Special reserve - The special reserve may be treated as distributable profits for all purposes, excluding the payment of dividends. The cost of purchasing Ordinary Shares for cancellation would be accounted for in this reserve.
- (c) Capital reserve - Accounted for within the capital reserve are gains and losses on the sale of investments, gains on the return of capital by way of investee companies paying special dividends, expenses charged in accordance with the policies set out below, increases and decreases in the valuation of investments held at the reporting date.
- (d) Revenue reserve - the net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve.

(f) Income

Dividends receivable on listed equity shares are taken to the revenue return column of the Statement of Comprehensive Income on the ex-dividend date except where in the opinion of the Board, the dividend is capital in nature in which case it is included in capital. Dividend income is shown excluding any related tax credit. Where the Company has elected to receive a dividend in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Other income is accounted for on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to revenue except as follows:

- expenses which are incidental to the acquisition and disposal of an investment are charged to the capital reserve.

Where incurred in connection with the maintenance or enhancement of the value of the investments and taking account of expected long-term returns, investment management fees and finance costs in the form of bank interest are charged 70% to the capital reserve and 30% to the revenue reserve.

(h) Finance costs

The Zero Dividend Preference (ZDP Shares) are designed to provide a pre-determined capital growth from their issue price of 100p on 30 April 2010 to a final capital entitlement of 159 7p on 30 June 2017 on which date the Company is planned to be wound up. The initial capital of 100p will increase at a compound interest rate of 6.75% per annum. No dividends are payable on the ZDP Shares. The costs relating to the issue of the ZDP Shares are recognised against the ZDP Shares and amortised over the life of these shares. Note 15 sets out further details on the treatment of the costs associated with the original issue of the ZDP Shares, amounting to £484,000. The provision for the capital growth entitlement of the ZDP Shares is included as a finance cost and charged 100% to capital within the Statement of Comprehensive Income.

(i) Taxation

Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Balance Sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash.

(k) Capital reserves

The following are accounted for in this reserve:

- gains and losses on the realisation of investments,
- expenses charged to this reserve in accordance with stated policies,
- increases and decreases in the valuation of investments held at the period end date,
- provision for the capital growth entitlement of the Zero Dividend Preference shares,
- issue costs of the Zero Dividend Preference.

3. Income

	Period to 28 February 2011 £'000
Income from investments	
UK dividend income	2,208
Other investment income	59
	2,267
Other income	
Deposit interest	21
Total income	2,288
Total income comprises:	
Dividends	2,267
Deposit income	21
Total income	2,288

4. Operating Segments

The Board has considered the requirements of IFRS 8 "Operating Segments" and is of the view that the Company is engaged in a single segment of business, of investing in securities listed in the UK, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Ordinary Share net asset value, as calculated under IFRS and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

5. Transaction costs

Expenses incurred in acquiring or disposing of investments classified as fair value through profit or loss are analysed below.

	Period to 28 February 2011 £'000
Analysis of purchases	
Purchase consideration before expenses	86,715
Commissions	348
Taxes	399
Total purchase costs	87,462
Analysis of sales	
Sales consideration before expenses	14,102
Commissions	(52)
Total sales proceeds	14,050
Total transaction costs	799

6. Investment Management Fee

The Company's investment manager is Aberforth Partners LLP. The contract between the Company and Aberforth Partners LLP may be terminated by either party at any time by giving six months' notice of termination. Aberforth Partners LLP receive a quarterly management fee, in advance, equal to 0.25% of the Company's Net Assets attributable to Ordinary Shareholders, plus 5.0% of the total income (excluding any tax credit) plus a base fee of £15,000 (annualised base fee equals £60,000).

7. Operating Expenses

	Period to 28 February 2011 £'000
Directors fees	65
Printing	10
Auditors' fees – Audit services (recurring)	16
Auditors' fees – Audit services (non-recurring)	11
Registrars fees	14
Other	34
	150

8. Taxation

	£'000
Analysis of tax charged on ordinary activities	
Current tax charge for the year	-
Deferred tax	-
Total tax charge for the period	-

Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (28%) The differences are explained below

Net income before taxation	7,790
Notional corporation tax at 28%	2,181
Non-taxable UK dividends	(619)
Non-taxable capital gains	(2,565)
Non-taxable overseas dividend income	(16)
Expenses not deductible for tax purposes	224
Movement in unutilised excess expenses	795
Total current tax charge for the period	-

It is unlikely that the company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised

Due to the Company's status as an Investment Trust company and the intention to continue meeting the conditions required to obtain approval of such status in the foreseeable future the company has not provided tax on any capital gain arising on the revaluation or disposal of investments held by the company

9. Finance Costs

	Revenue £'000	Capital £'000	Total £'000
ZDP Appropriation	-	1,682	1,682
Issue costs of ZDP shares written off	-	484	484
Overdraft arrangement fee	6	14	20
	6	2,180	2,186

10. Issue Costs

Expenses of £1,045,000 associated with the issue of the Ordinary Shares have been charged to the share premium account Expenses of £484,000 associated with the issue of the Zero Dividend Preference Shares have been charged as a finance cost to the Statement of Comprehensive Income

11. Earnings per Ordinary Share

	Revenue £'000	Capital £'000	Total £'000
Profit for the period	1,974	5,816	7,790
Number of Ordinary Shares in issue during the year	45,000,000	45,000,000	45,000,000
Return per Ordinary Share	4.39p	12.92p	17.31p

12. Investments

	28 February 2011 £'000
Investments at fair value through profit or loss	
Opening book cost	-
Opening fair value adjustment	-
Opening valuation	-
Movements in the period	
Purchases at cost	86,715
Sales - proceeds	(14,102)
Sales - realised gains on sales	1,332
Increase in fair value adjustment	7,829
Closing valuation	81,774
Closing book cost	73,945
Closing fair value adjustment	7,829
Closing valuation	81,774
Net gains on sales	1,332
Increase in fair value adjustment	7,829
Gains on investments	9,161

All investments are Level 1 assets under the definition of IFRS 7 and are traded on a recognised stock exchange

13. Other receivables

	28 February 2011 £'000
Amounts due from brokers	326
Investment income receivable	32
Other receivables and prepayments	68
	426

The carrying value of other receivables is approximate their fair value

14. Current liabilities

	28 February 2011 £'000
Amounts due to brokers	62
Other liabilities	30
	92

The carrying value of current liabilities is approximate their fair value

15. Non-Current liabilities

	28 February 2011 £'000
Issue of Zero Dividend Preference shares	30,000
Issue costs of Zero Dividend Preference shares	(484)
Issue costs charged to capital reserve	484
Capital growth of Zero Dividend Preference shares	1,682
	31,682

On 30 April 2010 the company issued 30 million Zero Dividend Preference Shares (ZDP Shares) at a price of 100p per share. The ZDP Shares will mature on 30 June 2017 and have a gross redemption yield of 6.75% per annum resulting in a targeted value of 159.7p per share on 30 June 2017. The expenses of £484,000 associated with the issue of the ZDP Shares have been charged as a finance cost to the Statement of Comprehensive Income which ensures the calculated net asset value of the ZDP Shares matches their calculated capital entitlement value.

16. Called Up Share Capital

	28 February 2011 Shares	28 February 2011 £'000
Issued		
Ordinary Shares of 1p	45,000,000	450
Total Issued	45,000,000	450

Zero Dividend Preference Shares are classified as financial liabilities and are accounted for within Creditors in the Balance Sheet.

17. Share Premium and Special Reserve

In July 2010 the Court confirmed the cancellation of the entire amount standing to the credit of the share premium account and the creation of a special reserve. The special reserve may be treated as distributable profits for all purposes, excluding the payment of dividends, and may be available to be used for the buy-back of Ordinary Shares and Zero Dividend Preference Shares.

18. Net asset value per share

	Ordinary Shares £'000	Zero Dividend Preference Shares £'000	Total £'000
Issue proceeds	45,000	30,000	75,000
Issue costs	(1,045)	(484)	(1,529)
Issue costs charged to capital reserve	(484)	484	-
Profit before finance costs	9,976	-	9,976
ZDP appropriation	(1,682)	1,682	-
Cost of share premium cancellation	(25)	-	(25)
Interest	(20)	-	(20)
Dividend paid	(900)	-	(900)
	50,820	31,682	82,502
Number of Shares	45,000,000	30,000,000	
NAV per Share	112.93p	105.61p	

19. Capital and Reserves

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	TOTAL £'000
At 15 March 2010	-	-	-	-	-	-
Issue of Ordinary Shares	450	44,550	-	-	-	45,000
Issue Costs - Ordinary	-	(1,045)	-	-	-	(1,045)
Issue Costs - ZDP	-	-	-	(484)	-	(484)
Share Premium cancellation	-	(43,480)	43,480	-	-	-
Cost of share premium cancellation	-	(25)	-	-	-	(25)
Issue of Redeemable Shares	50	-	-	-	-	50
Redemption of Redeemable Shares	(50)	-	-	-	-	(50)
Retained net revenue for the period	-	-	-	-	1,974	1,974
Realised net gains on sales	-	-	-	1,332	-	1,332
Movement in fair value adjustment	-	-	-	7,829	-	7,829
Investment management fee charged to capital	-	-	-	(366)	-	(366)
Transaction costs	-	-	-	(799)	-	(799)
Interest charged to capital	-	-	-	(14)	-	(14)
Dividend	-	-	-	-	(900)	(900)
ZDP Appropriation	-	-	-	(1,682)	-	(1,682)
At 28 February 2011	450	-	43,480	5,816	1,074	50,820

In July 2010 the Court of Session confirmed the cancellation of the entire amount standing to the credit of the share premium account and the creation of a special reserve. The special reserve will be available to be used for the buy back of Ordinary Shares and Zero Dividend Preference Shares.

20. Contingencies, guarantees and financial commitments

The Company had no contingencies, guarantees or financial commitments as at 28 February 2011.