BMO Capital and Income Investment Trust PLC

Report and Accounts 2018

Formerly F&C Capital and Income Investment Trust PLC

BMO

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Financial Calendar	
Fourth interim dividend for 2018	28 December 2018
Annual General Meeting	12 February 2019
First interim dividend for 2019	March 2019
Interim Results for 2019 announced	May 2019
Second interim dividend for 2019	June 2019
Third interim dividend for 2019	September 2019
Final Results for 2019 announced	December 2019
Fourth interim dividend for 2019	December 2019

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in BMO Capital and Income Investment Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Registered in England and Wales with company registration number 02732011.
Legal Entity Identifier: 21380052ETTRKV2A6Y19

Introducing
BMO Capital and Income Investment Trust PLC

Our name changed from F&C Capital and Income Investment Trust PLC on 9 November 2018.

Our objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies.

- Our well-diversified portfolio has outperformed the Benchmark over the medium and long term under Julian Cane, our Fund Manager for over 20 years.
- A recognised "AIC Dividend Hero", our dividend has increased every year for the last 25 years and grown at more than twice the rate of inflation.
- Investor demand remains strong and the Company continues to grow through regular new share issues.
- Our Ongoing Charges of only 0.58% represents very good value for Shareholders.

BMO Capital and Income Investment Trust is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth over the longer term in capital and income and who understand and are willing to accept the risks, and rewards, of exposure to equities.

Visit our website at
bmocapitalandincome.com

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Financial Highlights 2018

5.3%

Share price total return* of 5.3%
The share price ended the year at 327p and over five years the total return has been 55.3%, the equivalent of 9.2% compound per year.

5.5%

Net Asset Value total return* of 5.5%
The Net Asset Value per share was 324.0 pence. The total return slightly underperformed the Benchmark FTSE All-Share Index, which returned 5.9%. Over five years the 54.7% return comfortably outperformed the Benchmark return of 43.5%.

10.95 pence

Ordinary dividends of 10.95 pence – 25th consecutive annual increase
The dividends for the year are fully covered by earnings and represent a 2.8% increase, ahead of inflation of 2.4%.

0.9%

Shares ended the year at a premium* of 0.9%
Your shares traded at an average premium to NAV of 2.1% over the year enabling the Company to continue to grow by way of regular share issues.

Source: Refinitiv Eikon

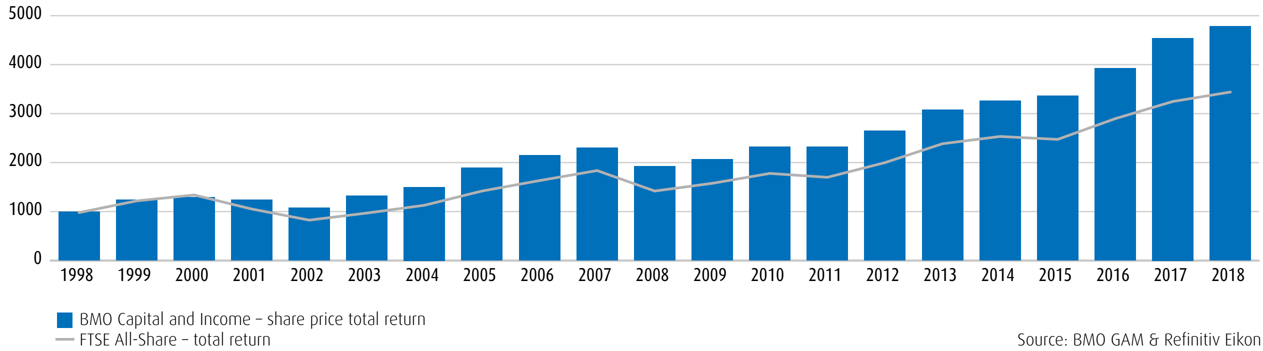
*See Alternative Performance Measures, page 80 for explanation

Forward-looking statements
This document may contain forward-looking statements with respect to the financial condition, results of operations and business of BMO Capital and Income Investment Trust PLC. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

Long-term Summary

In the last twenty years BMO Capital and Income Investment Trust PLC has turned a £1,000 investment, with dividends reinvested (and net of expenses), into £4,783 compared with £3,417 from its Benchmark, the FTSE All-Share Index.

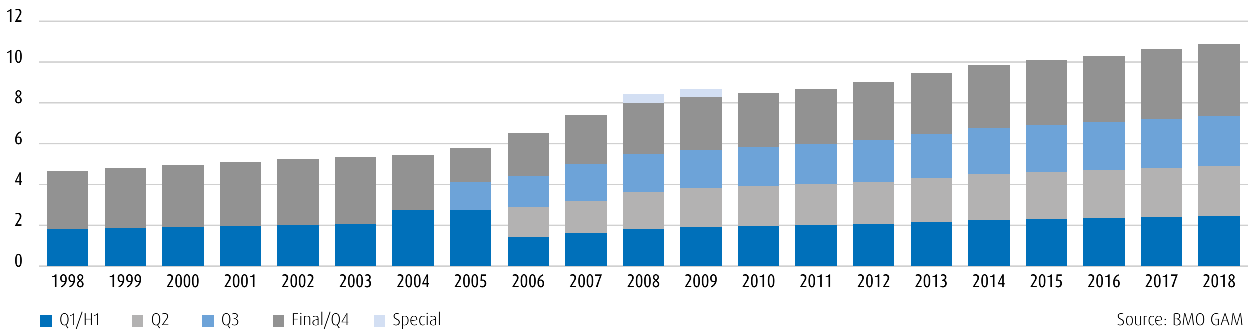
£1,000 Investment, with dividends reinvested at 30 September



Source: BMO GAM & Refinitiv Eikon

The ordinary dividend has increased every year since launch and over the last twenty years is up 135.5% or 4.4% compound per year, compared with inflation of 49.1% or 2.0% compound per year.

Dividends per share – pence



Source: BMO GAM

Chairman's Statement

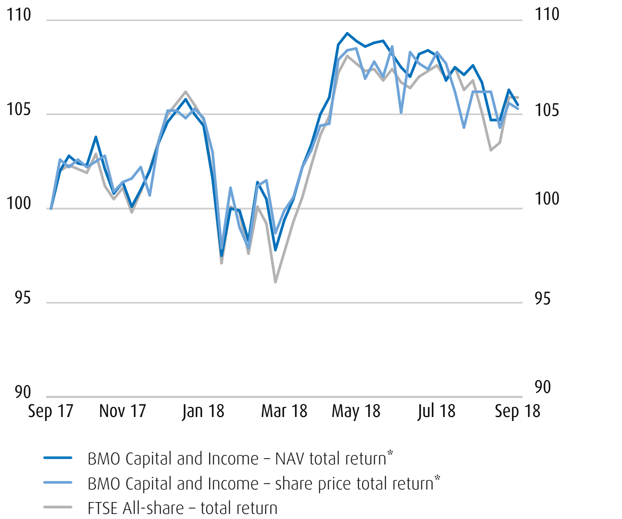
"Over the five-year period, the Company generated a Net Asset Value total return of 54.7% while the Benchmark rose 43.5%. The Company's return equates to 9.1% per annum, which is very respectable in the historic context."

Steven Bates, Chairman

Dear Shareholder,

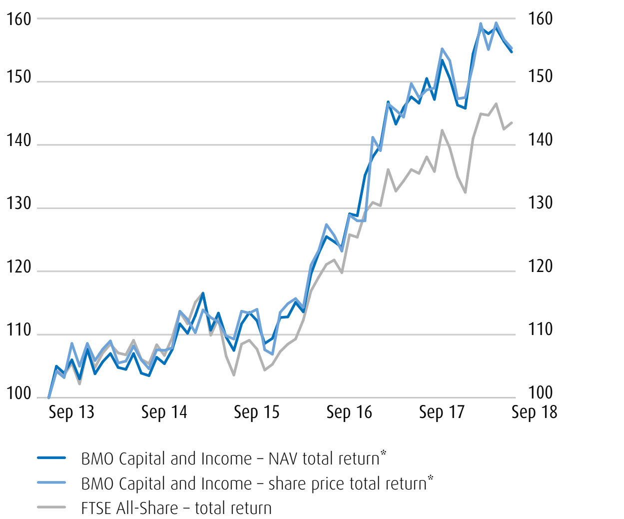
Over the years since the global financial crisis, we have all become used to very low interest rates, somewhat anaemic economic activity and sluggish inflation. Because all this has coincided with a loose monetary policy, there has been a lot of liquidity sloshing around, and much of this has flowed into financial assets. As a result, stock markets have delivered very good returns to investors, who have perhaps become complacent about this state of affairs continuing indefinitely. Indeed, much of the first half of our fiscal year stuck to this playbook. Under the surface, though, things were beginning to shift. A series of small hikes in US interest rates, although heavily telegraphed, eventually unsettled markets and set off a period of volatility in the spring. We have recently experienced a further episode of discomfort, which stems from the same source: the US economy is strong, giving succour to the hawks involved in monetary policy that interest rates should 'normalise', which means more rises. Against this background, we have a smorgasbord of geopolitical unpleasantness to worry about and, despite fairly robust corporate performance around the world, this has led to further dyspepsia.

Underperformance over one year



Source: BMO GAM & Refinitiv Eikon Rebased to 100 at 30 September 2017

Outperformance over five years



Source: BMO GAM & Refinitiv Eikon Rebased to 100 at 30 September 2013

*See Alternative Performance Measures on page 80

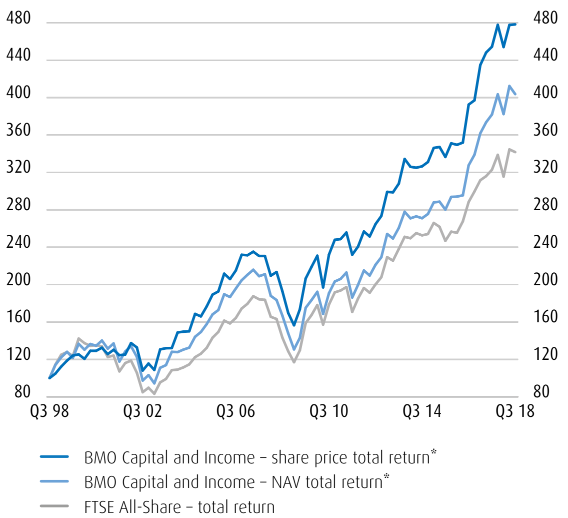
In the UK, we have had our own demons. With Government effectively paralysed by Brexit and the economy underperforming its developed peers, markets have had to cope with an uncomfortable degree of uncertainty. Signs of wage inflation rippled through labour markets and despite an absence of underlying economic strength, interest rates were raised over the summer. We are stuck in an uncomfortable limbo with very little visibility about either our political or economic future. In the circumstances, it is remarkable that the market has held up and is a testament both to the global nature of the UK stock market and to corporate resilience.

Performance

This year, the Net Asset Value ("**NAV**") per share on a total return basis rose 5.5%. The FTSE All-Share Index, our primary Benchmark, rose 5.9% on the same basis. It is perhaps worth noting that the return in the first half of the Company's fiscal year was zero, so all of this return came between the end of March and the end of September, even as the political situation in our green and pleasant land became even more difficult and more antagonistic to business. Over the five-year period, the Company generated a NAV total return of 54.7% while the Benchmark rose 43.5%. The Company's return equates to 9.1% per annum, which is very respectable in the historic context.

I have bored for Britain in past statements about how important it is to look at the longer term data as well, and here the numbers remain excellent. Over 20 years, for example, the share price total return was 378.3%, the NAV total return was 303.7% while the Benchmark on a comparative basis was 241.7%. Julian Cane, your Fund Manager remains at the controls, as has been the case for the whole of this period. He has done an excellent job throughout and the Board wishes to extend its gratitude to him and express its confidence that he will continue to deliver for you, the Shareholders.

Outperformance over twenty years



Source: BMO GAM & Refinitiv Eikon   Rebased to 100 at 30 September 1998

*See Alternative Performance Measures on page 80

Gearing and Attribution

During the year, our gearing averaged about 5%. As the markets rose, this was a modest net positive contributor to return to the extent of around 20-30 basis points, depending on the analytical methodology chosen. In March we replaced our loan facility with a new £30m facility, of which £10 million remains undrawn.

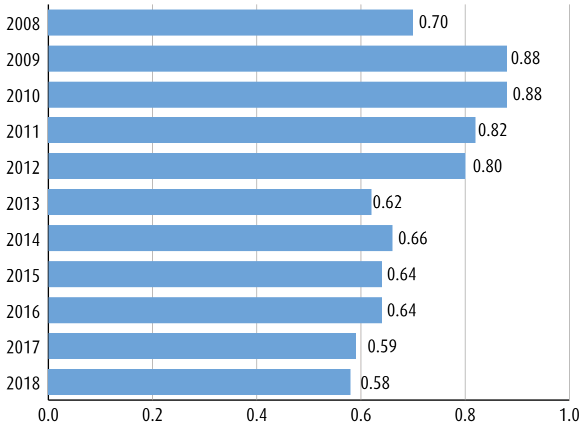
Income Account

The revenue return per share was 11.7 pence, more or less unchanged from last year's outcome. The underlying flow of income into the portfolio was affected by a mixture of special dividends and changes in exchange rates, and also reflects some rebalancing from high dividend payers with static prospects into lower yielding, faster growing holdings.

This year so far, we have paid three interim dividends of 2.45 pence per share, amounting to a total of 7.35 pence per share. We are proposing to pay a fourth interim dividend of 3.60 pence per share, bringing the total for the year to 10.95 pence, an increase of 2.8% over the previous year, and ahead of the Consumer Price Index, which rose 2.4% in the year to the end of September. The fourth payment will be paid on 28 December 2018. As usual, it will be in the form of an interim which can be paid earlier than would be the case had we declared a final dividend, which would need approval at the Annual General Meeting ("**AGM**") in February. This is the 25th consecutive year of increased dividends for the Company, and the payment has risen from 3.4 pence in 1993 to its current level, a rise of 222%. We are very pleased that The Association of Investment Companies ("**AIC**"), our industry body, has awarded us the status of "Dividend Hero".

On the cost side of the income statement, our ongoing charges ratio ("**OCR**") is 0.58%; marginally below where it was last year and well below the AIC sector average of 0.67%. It is competitive with other actively managed products, but no doubt higher than an ETF or other passive vehicle. I would point out, of course, that your Company has delivered performance well in excess of the benchmark over many years net of all expenses and so has been a good advert for the much maligned active approach to investment.

Cost of running the Company as a % of average net assets*

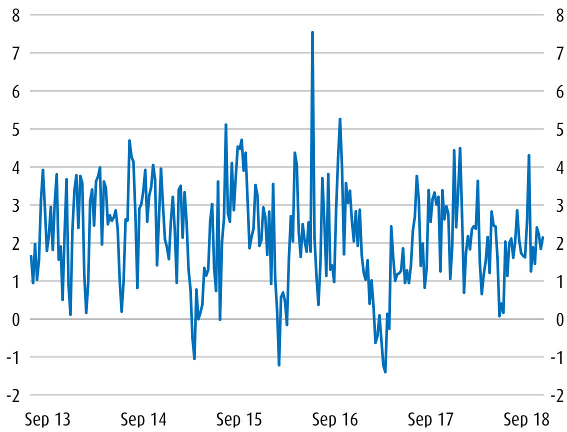


Source: BMO GAM

Premium/Discount

Over the course of the year, the shares of the Company have traded at an average premium of 2.1% over NAV. The shares traded very briefly at a discount during the year, with the range varying from a premium of 5.1% to a discount of 0.2%. This is pretty much in line with the historical experience. Over the last five years, the average has been a premium of 2.2%, within a range of -1.4% to +7.5%. The premium has allowed us to issue 2,525,000 new shares this year, for an additional capital contribution of £8.2 million. This was equivalent to 2.6% of our starting share count. These shares are always issued at a premium large enough to avoid the risk of diluting the NAV for existing Shareholders and the new capital contributes to a larger asset base over which to spread our fixed costs. To this end, your Board believes that the continuing issuance of shares in this manner is in your interests.

Share price premium/(discount) to NAV over five years (%)*



*See Alternative Performance Measures on page 80

Source: BMO GAM

Unlike death and taxes, the existence of a premium is not guaranteed. It mostly reflects the attraction to investors of a company paying a reasonably high yield through a growing dividend stream in an environment where conventional savings in a bank or building society offer very little. If this changes and we find ourselves at a persistent discount in normal market conditions, we will be assiduous in buying back our shares in order to minimise damage.

At the AGM in February, we will as usual be asking for authority to issue further shares without pre-emption rights equal to 10% of the Company's shares in issue at the date of this report. As explained earlier, these can only be issued at a premium which takes into account the need not to dilute existing Shareholders. The Board believes this resolution is in your interests and urges you to support it.

Name Change

On 9 November 2018, we announced that we had decided to change the name of the Company to BMO Capital and Income Investment Trust PLC. Name changes can hold a lot of emotional baggage and in our case, there was concern that we were turning our back on a long heritage under the F&C banner. BMO, which is a very large North American bank and asset manager, bought F&C in 2014 and since then has been integrating the business into its larger asset management operations. As part of its development plans, and no doubt with the aim of becoming better known as a brand in the UK market, BMO decided to rebrand F&C's savings plans with the BMO prefix. The Board carefully considered the appropriate course of action and decided that it would be confusing for Shareholders if the savings plans had one brand while we as a Company had another. If we had stuck with the status quo, we would also lose the benefits of any promotional spend which BMO has committed to the savings plans and to its brand more generally. There will be no cost to the Company involved in this exercise and the most important thing from the Board's perspective is that the investment process and the Fund Manager will not change at all.

Governance

There is usually something to say on this topic and this year we were obliged to introduce something called a Key Information Document ("**KID**"). This sensible sounding development has ended up being rather controversial as it uses a prescribed methodology for calculating returns under various investment scenarios. Because the markets have lacked volatility in recent years, the mathematics behind the algorithm can produce some bizarre (and often unrealistically positive) outcomes. In our case, the menu of possible outcomes looks plausible, but I would urge Shareholders to note that the numbers in the document are the result of the way the formula works which may or may not have anything to do with reality. The idea behind the KID was to allow investors easy comparison across different products, but so far, they are not compiled for open ended funds, which have much lighter reporting requirements. The Financial Conduct Authority, which regulates the investment industry, is reviewing KIDs at the moment and there may be some changes to the regime in due course.

The AGM of the Company will take place on 12 February 2019. Julian will be making his customary presentation on the investment scene, and all the Directors will be present to answer any questions you may have.

Outlook

As I write, markets are suffering another bout of jitters. Sometimes, this seems to be because economic activity is too strong, which means more rate rises; sometimes it's because economies are too weak, which means pressure on corporate profits; and sometimes it's because something unpleasant has happened to Italy, or China or Brexit or free trade. In any event, the economic expansion and the bull market which has accompanied it, is quite long in the tooth. Bull markets, though, do not die of old age. They generally finish on the back of a liquidity squeeze caused by higher interest rates. While this outturn looks feasible in the US where the economy has done much better than other developed countries and where the stock market has done exceptionally well, the likelihood of much higher interest rates on this side of the Atlantic is remote. In the UK, we still do not know what will happen on Brexit and the level of uncertainty posits an accommodative monetary policy. Other things being equal, this is positive for equity markets, but we can expect any upward trend to be interrupted by periods of uncomfortable volatility as the politics unfold and the cycle matures.

Steven Bates
Chairman
5 December 2018

Strategy and Business Model

We provide our Shareholders with long-term capital and income growth. We do this by investing in companies, mainly in the FTSE All-Share Index, that have good long-term prospects with attractive returns on invested capital. Many of the stocks we purchase have a higher than average dividend yield.

Business model

The Company operates as an investment company under a fully independent non-executive Board of Directors responsible for the overall stewardship and governance of the Company. There are no executive Directors or employees. The Directors believe that the optimum basis for meeting their duty in promoting the success of the Company and achieving its investment objective in the interests of Shareholders is to work closely with its appointed investment management company, BMO Investment Business Limited (the "**Manager**"). Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company's assets, asset allocation, gearing, stock and sector selection and risk. Engagement on environmental, social and governance ("**ESG**") matters are undertaken by BMO Asset Management Limited. The Manager and BMO Asset Management Limited (together "**BMO GAM**") are subsidiaries of BMO Global Asset Management (Holdings) PLC, which is owned by the Bank of Montreal ("**BMO**").

As a closed-ended listed investment company the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns. The share capital structure provides the flexibility to take a long-term view and stay invested while taking advantage of illiquidity throughout normal and volatile market conditions. Having the ability to borrow to invest is a significant advantage over a number of other investment fund structures.

The Board remains responsible for decisions over corporate strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 10 and 11; setting limits on gearing and asset allocation; monitoring investment performance; and setting and monitoring marketing budgets.

ESG impact

Our ESG policies, as set out on page 11, are aligned towards the delivery of sustainable investment performance over the longer term. As the Company has no employees and no premises, the Board has concluded that the direct impact of its activities is minimal. The Company's indirect impact occurs through the organisations and businesses in which it invests. The Company aims to mitigate such impact through the implementation of BMO GAM's Responsible Ownership policy, which encourages investee companies to focus on ESG matters.

BMO GAM's statement of compliance with the UK Stewardship Code has been reviewed and endorsed by the Board, which encourages and supports its voting policy and stance towards ESG issues. The statement is available on the website at: bmogam.com/gb-en/institutional/institutional-capabilities/responsible-investing/.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital and income for our Shareholders. An annual evaluation of the Manager's performance is therefore carried out. This is an essential part of the strong governance that is carried out by the Board of Directors, all of whom are independent and non-executive.

The process for the evaluation for the year under review and the basis on which the decision to reappoint the Manager for another year are set out on page 30. Its fee is based on a percentage of the Company's assets under management.

Fund Manager and management of the assets

As Fund Manager on behalf of the Manager, Julian Cane is responsible for developing and implementing the investment strategy with the Board and for the day to day management of the portfolio. He is supported in carrying out research and in the selection of stocks by a team of investment professionals.

Investment risk is reduced mainly by investing in well-established UK companies, while our diversified portfolio is largely invested in large and mid-capitalisation companies. We also have holdings in smaller companies and, from time to time, may invest in leading overseas companies.

Share prices may not fully reflect the good long-term prospects of companies with attractive returns on invested capital, for example because of adverse sentiment from short-term difficulties or simply because they have become unfashionable. Furthermore, share prices tend to be much more volatile than changes in the underlying worth of companies creating investment opportunities but, over the longer term, share prices will reflect the intrinsic worth as the value of company cash flows, earnings, dividends or assets are realised. Identifying these opportunities and investing in these companies can result in periods of relative underperformance of the Company when market values are substantially out of line with underlying worth. Nevertheless, this approach has demonstrated that it will generate superior results over the longer term. Information on investment strategy can be found in the Manager's Review. The Company's holdings can be found on page 25.

"...the ability to borrow to invest is a significant advantage over a number of investment fund structures."

Shareholder communication and marketing

We foster good working relationships with our key stakeholders; our Manager, as described above, and our Shareholders. With approximately 78% of the shares held by retail investors, and savings or execution-only platforms representing an increasingly significant and growing element of the Shareholder base, we remain focused with our Manager on promoting the success of the Company. All appropriate channels are used including the internet and social media as well as the BMO Savings Plans, which remain a cost effective and flexible way to invest in the Company.

Managing risks and opportunities

We look to make good use of our corporate structure and the investment opportunities that lead to long-term growth in capital and income for our Shareholders. Like all businesses, these opportunities do not come without risks and uncertainties and so the performance of the Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, the ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. The Board receives reports on the investment portfolios; the wider portfolio structure; risks; compliance with borrowing covenants; income, dividend and expense forecasts; errors; internal control procedures; marketing; Shareholder issues, including the Company's share price premium or discount to net asset value; and accounting and regulatory updates.

Shareholders can assess the financial performance from the Key Performance Indicators that are set out on page 13 and, on page 14, can see what the Directors consider to be the Principal Risks that we face. The risk of not achieving the Company's objective, or of consistently under-performing the Company's Benchmark or competitors, may arise from any or all of inappropriate asset allocation, poor market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to continually monitoring the Manager's performance, their commitment and available resources and their systems and controls, the Directors also review the services provided by other principal suppliers. These include the Custodian and Depositary in their duties towards the safeguarding of the assets.

The policies applied in running the Company are set out in detail on the following page, whilst the Fund Manager's review of activity in the year can be found on page 16. In the light of the Company's strategy, investment processes and control environment (relating to both the oversight of the Company's service providers and the effectiveness of the risk mitigation activities), the Board has set out on page 15 its reasonable expectation that the Company will continue in operation and meet its liabilities over the coming three years.

Policy Summaries

Investment

The Company invests mainly in FTSE All-Share companies in a diversified portfolio of around 70 holdings. There are no maximum limits across sectors. It can invest in securities listed on the Alternative Investment Market ("**AIM**") up to a limit of 10% at the time of investment. No single investment in the portfolio may exceed 10% of the Company's total assets at the time of purchase and no unquoted securities may be purchased without the prior approval of the Board. The total value of investments held outside the UK will not exceed 10% of the Company's gross assets at the time of investment but no individual country limits are imposed. The proportion of the portfolio held in FTSE All-Share and AIM listed companies as at 30 September 2018 was 89.2% and 8.3% respectively. 2.5% of the total portfolio was held outside the UK, all in Irish or continental European stocks.

No more than 10% of the total assets of the Company will be invested in other UK listed investment companies (including investment trusts) except in such other UK listed investment companies which themselves have stated they will invest no more than 15% of their total assets in other UK listed investment companies, in which case the limit is 15%.

The Company may use derivatives principally for the purpose of income enhancement and efficient portfolio management. Options may only be written on quoted stocks and the total nominal exposure is limited to a maximum of 5% of gross assets at the time of investment for each of put and call options.

Borrowing

Borrowings can be used to enhance Shareholder returns and would normally fall within a range of 0 to 20% of net assets. As at 30 September 2018 the Company had borrowings of £20 million representing 4.5% net gearing. Under the Alternative Investment Fund Manager Directive ("**AIFMD**"), the Company is obliged to publish maximum permissible leverage exposures.

Dividend

The Company's revenue account is managed with the objective of continuing its record of delivering to Shareholders a stable and growing dividend over time. Prudent use of long established revenue reserves can be made whenever necessary to help meet any revenue shortfall. Dividends can also be paid from capital reserves although the Board has no current need or intention of doing so.

In determining dividend payments, the Board takes account of timely income forecasts, brought forward distributable reserves, prevailing inflation rates, the Company's dividend payment record and Corporation Tax rules governing investment trust status. Liquidity is not considered an issue as the Company has sufficient liquid resources to fund any envisaged level of dividend payment. Risks to the dividend policy include: financial and political instability leading to significant deterioration in the level of income received by the Company; and unforeseen and significant changes to the Company's regulatory environment.

Taxation

The Directors are fully committed to complying with all legislation and statutory guidelines, including the UK's Criminal Finances Act 2017, designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate. The policy is based upon a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

The Company complies at all times with Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") such that it does not suffer UK Corporation Tax on capital gains; ensures that it submits correct taxation returns annually to HMRC and settles promptly any taxation due; and ensures that it claims back in a timely manner, where possible, all taxes suffered in excess of taxation treaty rates on non-UK dividend receipts.

Share Issues and Buybacks

The Company issues new shares in order to satisfy Shareholder demand and to moderate the premium at which the shares trade in relation to the NAV per share. In the event that the shares revert to trading at a price lower than the NAV per share, the Board has the flexibility to buy back shares in accordance with the authority given by Shareholders. Shares bought back can either be cancelled or held in treasury for potential resale at a premium. This policy has the benefit of enhancing NAV per share for continuing Shareholders.

"Prudent use of long established revenue reserves can be made whenever necessary to help meet any revenue shortfall."

Environmental, Social and Governance (ESG) Policies

In setting the Company's ESG Policies, the Board has considered the requirements of Section 172 of the Companies Act 2006 in regard to promoting the success of the Company for the benefit of Shareholders.

Responsible ownership

As an investment vehicle, all the Company's activities are outsourced to third parties. As such, it does not have any physical assets, property, employees or operations of its own. Neither does it provide goods nor services in the normal course of business and does not have customers. In consequence, it does not directly generate any greenhouse gas or other emissions or pollution and it is not required to make any statement under the Modern Slavery Act 2015.

The Board supports BMO GAM in its belief that good governance creates value. It is a signatory to the United Nations Principles for Responsible Investment ("**UNPRI**") and takes a particular interest in corporate governance and sustainable business practices, and continues to work on systematically incorporating environmental, social and governance factors into its investment processes. This is based on the view that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Engagement with companies on significant regulatory and ESG matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of BMO GAM's approach towards responsible investment.

Where necessary, BMO GAM engages with the boards of investee companies in an effort to ensure that their tax policies are both prudent and sustainable. Investee company boards are expected to disclose to Shareholders that they are providing appropriate oversight over their tax policies.

BMO GAM's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics systems, and ensuring that there is an effective mechanism for the internal reporting of wrongdoing, whether within the investee company itself, or involving other parties, such as suppliers, customers, contractors or business partners. Under legislation, which is developing globally, there will be scope for more rigorous enforcement of anti-corruption and anti-bribery.

In addition to this, the Board applies a strict anti-bribery and anti-corruption policy insofar as it applies to any Directors or employee of BMO GAM or of any other organisation with which the Company conducts business. The Board also ensures that adequate procedures are in place, and followed, in respect of third party appointments, acceptance of gifts and hospitality and similar matters.

Voting on portfolio investments

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings where practicable in accordance with BMO GAM's own corporate governance policy, which is to seek to maximise Shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

In the year ended 30 September 2018, BMO GAM had engaged with 39 companies held by the Company and had voted in respect of its holdings at 78 company meetings on a range of issues. Key engagement themes in 2018 included ocean plastics, modern slavery, access to nutrition and the governance of data protection. The Board expects to be informed of any sensitive voting issues involving the Company's investments and at each meeting receives a report on instances where BMO GAM has voted against the recommendation of the management on any resolution.

Information on where to find BMO GAM's statement of compliance with The UK Stewardship Code can be found on page 8.

Board diversity

The Board is composed solely of non-executive Directors and has 60% female representation. In compliance with the UK Corporate Governance Code the Board comprises appropriately diverse, independent non-executive Directors who set the operational and moral standards of the Company. New appointments are made on merit based on the requisite experience and skills for the role without discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. Further details on the operation of this policy are given on page 33.

Over 20 years the share price total return was 378.3%, the NAV total return was 303.7% while the Benchmark was 241.7%.

Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against the following key measures. Commentary can be found in the Chairman's Statement and Manager's Review.

Total return performance

	1 Year %	3 Years %	5 Years %	
NAV per share Total Return[(1)]	5.5	43.9	54.7	This measures the performance of the Manager in terms of capital and income growth by comparison to the return of the Benchmark index.
Benchmark index: FTSE All-Share	5.9	38.5	43.5	
Share Price Total Return[(1)]	5.3	42.1	55.3	This shows the return to Shareholders in terms of capital growth and the dividends they have received compared to the return of the Benchmark index.

Source: BMO GAM and Refinitiv Eikon

Compound annual dividend growth

	1 Year %	3 Years %	5 Years %	
Company's dividend	2.8	2.6	2.9	This shows the Company's dividend growth and compares it to the changes in the UK Consumer Price Index ("**CPI**") and the rate of change of implied dividend from the Benchmark index.
Benchmark index: FTSE All-Share	5.3	8.2	6.0	
Inflation (CPI)	2.4	2.1	1.5	

Source: BMO GAM and Refinitiv Eikon

Share price premium to NAV per share

	As at 30 Sep 2018 %	As at 30 Sep 2017 %	As at 30 Sep 2016 %	
Premium[(1)]	0.9	1.2	2.1	This is the difference between the share price and the NAV per share. It is an indicator of excess demand over supply.

Source: BMO GAM

Ongoing charges as at 30 September (as a percentage of average net assets)

	2018 %	2017 %	2016 %	
Ongoing charges[(1)]	0.58	0.59	0.64	This shows whether the Company is being run efficiently. It measures the running costs as a percentage of the average net assets.

Source: BMO GAM

(1) See Alternative Performance Measures page 80 for explanation

Principal Risks and Future Prospects

During the year the Board carried out a robust assessment of the principal risks and uncertainties that could threaten the Company's objective, future performance, liquidity and solvency. Its future prospects and viability were also considered as an integral part of this assessment.

The principal risks and their mitigations are set out below and the processes for monitoring them are set out on pages 37 to 39. Note 22 on the accounts reports on the Financial Risk Management of the Company. The risks that affect the Company's ongoing operations may vary in significance from time to time.

The principal risks identified as most relevant to the assessment of the Company's future prospects and viability were those relating to potential investment portfolio under-performance and its effect on the share price; discount movement; dividends; and threats to security over the Company's assets.

Principal Risks	Mitigation
Inappropriate business or marketing strategy particularly in relation to investor needs giving rise to a share price discount to NAV per share. **Unchanged throughout the year under review**	The Board holds a separate meeting each year to consider strategic issues and opportunities. Market intelligence is obtained via the Company's Broker. The effectiveness of the marketing strategy is reviewed at each Board meeting. Shareholder satisfaction surveys are conducted at least every five years ahead of the Company's continuation vote. Share buybacks can be employed to help moderate extensive discount volatility.
Unfavourable markets or asset allocation, sector and stock selection and use of gearing and derivatives are inappropriate giving rise to investment underperformance as well as impacting capacity to pay dividends. **Unchanged throughout the year under review**	The portfolio of quoted securities is diversified and the Company's structure enables it to take a long-term view. Investment policy, performance, revenue and gearing are reviewed at each Board meeting. BMO GAM's Performance and Risk Oversight team provides independent oversight on investment risk management. The Board regularly considers operating costs along with underlying dividend income and the implications for the dividend payment capacity of the Company.
Errors, fraud or control failures at service providers or loss of data through increasing cyber threats or business continuity failure could damage reputation or investors' interests or result in losses. **Risk of cyber attacks increased in the year under review**	The Board receives regular control reports from BMO GAM covering risk and compliance including oversight of third party service providers. The Board has access to their Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

When considering the risk of under-performance, the Board assessed and evaluated the following areas through a series of stress tests ranging from moderate to extreme scenarios:

- potential illiquidity of the Company's portfolio;
- the effects of any substantial future falls in investment values and income receipts on the ability to repay and re-negotiate borrowings;
- potential breaches of loan covenants, the maintenance of dividend payments and retention of investors; and
- the potential need for extensive share buybacks in the event of share price volatility and a move to a wide discount.

The Board's conclusions are set out under the Rolling Three Year Viability Horizon opposite.

Actions taken on Principal Risks in the year

2,525,000 shares were issued to satisfy Shareholder demand and help contain the premium. The shares traded at an average premium to NAV of 2.1% in a range of 5.1% to -0.2%.

The number of shares held in the BMO savings plans increased by 2.2%. The Company's Broker gave a general update on the sector and competitive environment at the Board's annual strategy meeting.

The £20m revolving credit facility was replaced with a new multicurrency revolving facility of up to £30m expiring on 26 March 2021. Around 70 listed securities were held in the portfolio throughout the year. The total dividend for the year increased by 2.8% and is fully covered by earnings. Over £13m was held in Revenue Reserve.

In considering the risks posed to stock markets by Brexit, the Board's assessment was that it does not in itself fall into a category deemed to be a principal risk that would threaten the Company's strategy and business model.

BMO GAM continues to strengthen and develop its Risk, Compliance and Internal Control functions as part of the integration of its operations with BMO including IT security. Supervision of third party service providers has been maintained by BMO GAM and includes assurances regarding IT security and cyber threat. The Depositary oversees custody of investments and cash and reports to the Company in accordance with the AIFMD.

Rolling three-year viability horizon

Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming three years; the Company's business model, strategy and the embedded characteristics listed below have helped define and maintain the stability of the Company since inception. The Board expects this to continue and will assess viability over subsequent three year rolling periods.

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, UK publicly listed securities and which restricts the level of borrowings.
- Subject to the outcome of five-yearly Shareholder continuation votes, the Company's business model and strategy are not time limited.
- The Company is inherently structured to generate long-term returns, with a three-year period viewed as a reasonable time frame for measuring and assessing medium to longer term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure, including the ability to use short-term borrowings by way of loans and overdrafts and the capacity to secure additional finance well in excess of three years.
- There is robust monitoring of the headroom under the Company's bank borrowing covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all of its assets which are safeguarded as described under "Safe custody of assets" and "Depositary" on page 29.

Manager's Review

Julian Cane, Fund Manager

Review of the Stock Market

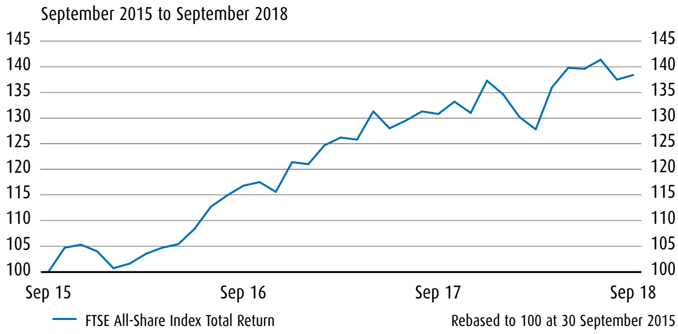
After two years of good returns from the UK stock market (+16.8% and +11.9% for the FTSE All-Share Index in the years to September 2016 and September 2017 respectively), our most recent year has shown slower, but still attractive, progress at +5.9%. With the trailing dividend yield for the Index around 3.8% at the end of the year, it can be seen that the total return has been made up more of dividend than capital appreciation. This most recent level of absolute return and the more even balance between capital and income are closer to the historical averages of the stock market than the previous two years.

During the first half of the year we experienced a sharp increase in the volatility of individual share prices and stock market indices. The exact origins of this can be debated, but it is clear large speculative positions had been built to take advantage of the decline in volatility. As we have seen in numerous other markets over time, these speculative positions had grown to such an extent and driven prices so far that once the flow of money slowed, the only way to go was in full speed reverse. Many of the complex trading strategies that had aimed to take advantage of low rates of volatility were all but wiped out in a matter of a few short days. This might appear irrelevant for investors in other areas, except there are substantial links between the derivatives markets and the underlying indices and shares; hence there was a certain amount of contagion. A more stable situation was restored in February and March, before a strong rally in April and May took the market up to higher levels from which it drifted a little lower towards the end of our financial year.

In fact, of the Index's gain of 5.9%, 3.1 percentage points (or 53%) came solely from the performance of the two large oil companies, BP and Royal Dutch Shell. Although these companies have done much to improve their own efficiency, it is arguable the greatest influence on their share prices was the rise in the price of oil beyond US$80 for the first time since 2014. Whilst good for producers of oil, for others, energy is a cost and hence the increased price is a negative.

Whilst the rising oil price provided a strong tailwind for the oil producers, the background for equity markets in general was more negative as there was an increase in most bond yields worldwide. At the margin, the higher yields available from bonds make equities slightly less attractive, and furthermore the increase in yields signals a withdrawal of liquidity from central banks. This stimulus (low interest rates and Quantitative Easing) was delivered to markets in the wake of the Global Financial Crisis starting in 2008 and is now being scaled back. In the same way that this stimulus helped to drive markets over most of the last decade, so its withdrawal could make future progress more difficult.

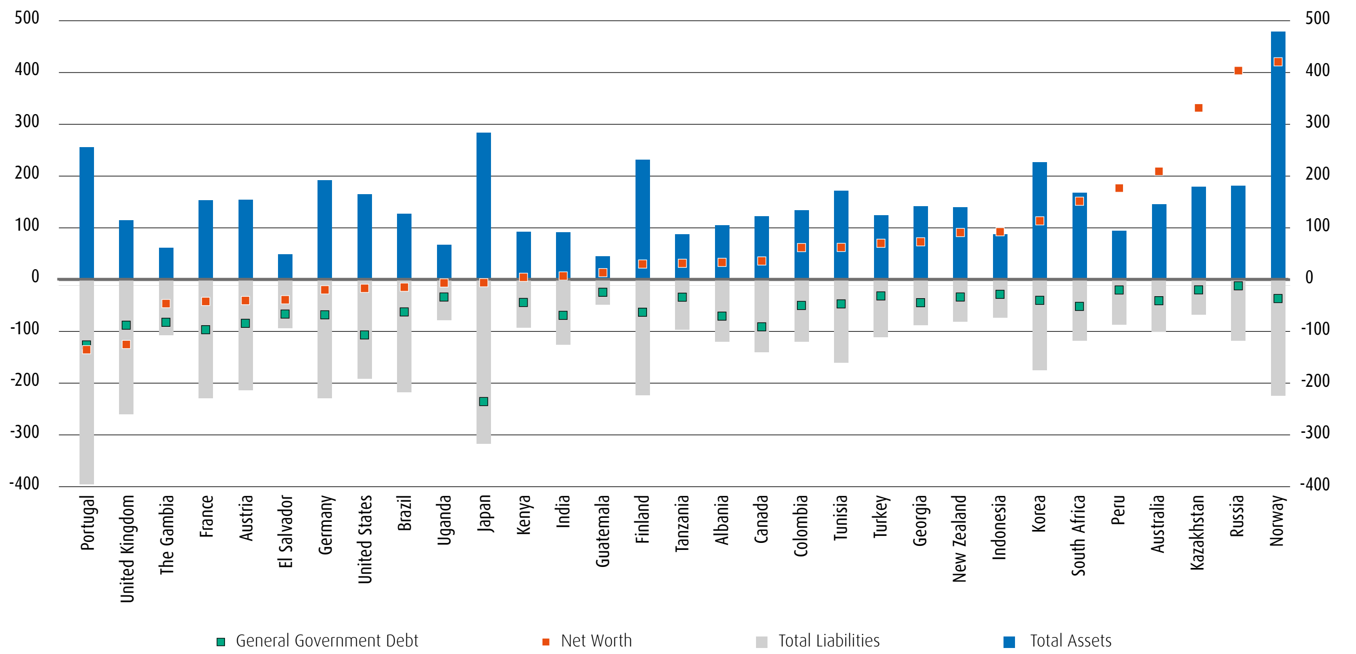
FTSE All-Share Index – Total Return



Low interest rates have also helped to stimulate fairly high levels of merger and acquisition activity. Probably the most high-profile and contentious of these is Melrose's hostile acquisition of GKN. We had not invested in GKN in the past, as although we had identified some interesting businesses within the group, we believed it to be inadequately managed. The increased focus the Melrose team brings should be positive for the underlying GKN businesses. The proposed merger of Sainsbury and Asda would also have been unthinkable a number of years ago, but the change in the food retail landscape, with the rise of the discounters and takeover of Booker by Tesco, has led to a situation where even some of the largest operators believe they need more scale in order to compete effectively.

Finally, geopolitics has also provided many further headwinds. For the UK, interminable Brexit discussions probably ranked as the most important, but the trade and tariff scuffles between the USA and other countries are unhelpful, as is the significant slide in relations with Russia, developments in the nuclear deal in Iran and sanctions against Venezuela.

The UK's Level of Government Debt and Net Worth are Challenging



Source: IMF Fiscal Monitor, October 2018

Review of the UK Economy

Although growth in the UK economy may appear to have been little to write home about, in some respects it has been firing on all cylinders. Looking at the labour market, the number of people employed has continued to increase and is at a record high, while the number of unemployed has continued to fall with the result the unemployment rate is close to its record low level. With the first signs of wage growth actually high enough to generate some real, after inflation pay increases, in some previous eras there might have been talk of the economy over-heating. Certainly, it is difficult to see any spare capacity that some have claimed results from Brexit uncertainty – with employment already so robust, where could extra growth have come from?

For the 2018 financial year to date (April to September) the public sector deficit is the lowest in 16 years, with borrowing 35% lower than the same period the previous year. The UK's fiscal deficit peaked at close to 10% of GDP in 2009, a legacy of the Global Financial Crisis, and following years of necessary austerity, it is forecast to be less than 2% this year. Although politicians are hailing the end of austerity, before the bunting comes out to celebrate, the unpleasant facts are that in absolute terms the total level of government debt is still increasing, albeit slower than previously, that the level of government debt is amongst the highest in the world and the net worth of government is amongst the lowest.

Whilst UK government debt levels have been much higher at some point in the past (typically after major wars), at best the current starting point constrains a fiscally competent government's flexibility and at worst it makes the economy more vulnerable to potential shocks, such as a rapid rise in inflation or interest rates. Concerns about debt levels might not be sufficient on their own to make investors cautious of the stock or bond markets, but neither should the levels be ignored or forgotten.

During the year, the UK's Bank Base Rate increased from its lowest ever rate of 0.25%, first to 0.5% then to 0.75%. Although unprecedented for interest rates to triple in less than a year, the absolute changes are so small that in practical terms the effect seems to have been negligible, mostly serving as a signal the Monetary Policy Committee is looking to try to return monetary policy to a slightly more normal setting after almost a decade of exceptionally low rates. Inflation is still running above the Bank of England's target of 2.0%, but as the rate of CPI decreased over the year from 3.0% to

2.2% future interest rate increases are only expected to be gradual and limited.

Attribution of Portfolio Returns

The strongest individual contributor to our returns over the year was our investment in Burford Capital, a leading provider of finance to fund litigation cases, which generated a return of 59% from purchase. This was a new acquisition made during the year and whilst it has performed spectacularly well since it first listed in 2009 (up 20 fold at its peak), it is today a better diversified business operating in a much more established market. We believe a combination of the returns it generates and the growth opportunities available still make the valuation attractive. Other strong contributors include Xpediator (+136%), an international freight management business, and Beazley (+22%), the insurance specialist. As already mentioned the largest oil companies performed very well, BP (+31%), Royal Dutch Shell (+24%) and not having a weighting in the portfolio as large as that in the Index was a negative contribution to our relative performance. We also were affected by the sharp fall in the share prices of Arrow Global (-43%), although we believe the share price move to be out of all proportion to any issues at the company, and Conviviality (-75%), which collapsed following the discovery of cash and accounting problems.

Valuation of the Stock Market

Whilst we're looking for value on a share by share basis, it can also be instructive to take a step back and look at the valuation of the stock market as a whole and to see how it relates to its own history as an absolute valuation, or relative to other main asset classes. If the market as a whole were looking expensive compared to its past, there could still be pockets of value amongst individual shares, but these would likely be relatively sparse. By contrast, if markets appear to be valued more conservatively than in the past, there would seem to be a much higher probability of being able to find attractively valued companies.

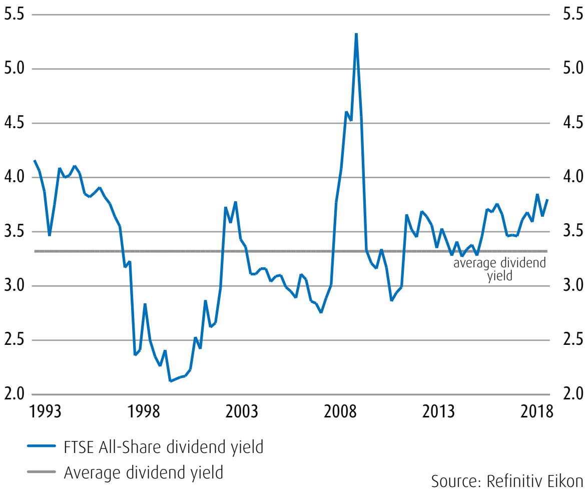
The price/earnings multiple of the Index is currently below its long-term average, suggesting the market is relatively cheap. There are a number of problems with this simple observation, most obviously that the Index (and hence all the related statistics) is heavily weighted towards the very largest companies. This makes the Index particularly sensitive to the earnings of a relatively small number of very large companies. As noted above, the last year has seen a sharp increase in oil prices and earnings from the oil majors, and this has had a major effect on the recent reduction of the Index's price/earnings multiple.

The dividend yield of the Index, whilst still weighted by market capitalisation, tends to follow a smoother path than that of the price/earnings multiple. As the current yield is above the long-term average, this also suggests the market as a whole is relatively cheaply valued and hence there should be more opportunities than usual to find attractively valued companies.

Outlook

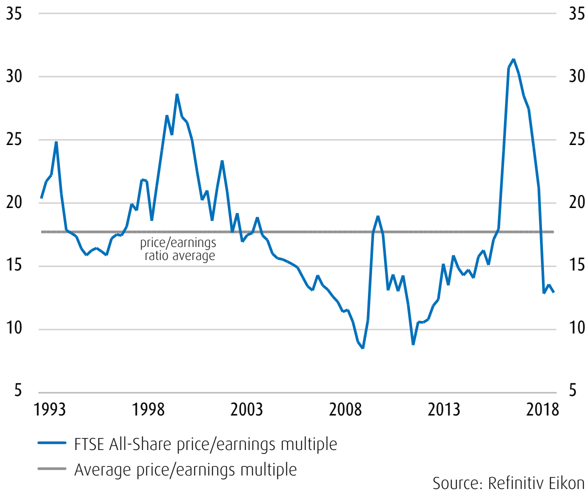
Given the number of very significant uncertainties facing the UK and other world economies it would be easy to be despondent about investing in the UK stock market. The outcome of Brexit negotiations and implications for the future are unclear at the time of writing

FTSE All-Share Dividend Yield (%)



Source: Refinitiv Eikon

FTSE All-Share Price/Earnings Multiple

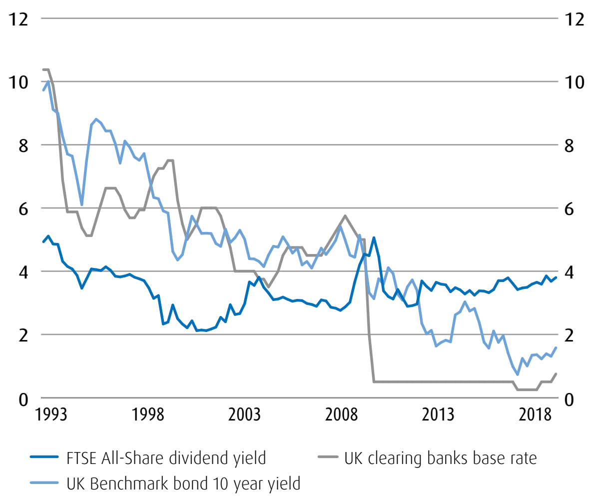


Source: Refinitiv Eikon

(and I suspect will be for a long time to come), with perhaps the only certainty being that a large part of the population will not be happy; the possibility of a Labour Government with some radical policy plans would certainly deter many international investors. There are uncertainties within Europe too, the economic situation in Italy remains difficult, dissatisfaction with the EU appears to be increasing and Germany is moving closer to a change in political leadership. The threats of escalating trade wars are unhelpful and destabilising to world trade. All of this against a background of interest rates and bond yields rising would appear to make a fairly unattractive mix. Yet, time and again, it has been shown that trying to time market movements profitably is extremely difficult. The most obvious exceptions to this would be circumstances where valuations, either for particular sectors or the market as a whole, push to historically challenging limits. At least in the UK, looking at the charts as shown, this does not appear to be the case at present and at the time of writing the FTSE 100 Index is trading at a level it first reached in 1999. The dividend yield available from equities still appears attractive when compared with the alternatives of either bonds or cash. In this knowledge, we focus our attentions on trying to identify and invest in well managed companies with the ability to generate good returns and grow almost regardless of the economic circumstances.

Julian Cane
Fund Manager
5 December 2018

Yields from competing investment assets (%)



Source: Refinitiv Eikon

Twenty largest holdings

30 September 2018	30 September 2017		% of total investments	Value £'000s
1	1	**Royal Dutch Shell** (Oil and gas) A leading international oil exploration, production and marketing group. Shell responded to the falling oil price of 2014 and 2015 by restructuring its cost base and taking over BG. The strength in the oil price during the year under review therefore had a very positive effect.	4.1	13,983
2	4	**Diageo** (Consumer goods) The largest producer of premium branded spirits in the world and also a major producer of beer. The strength of the brands and substantial exposure to faster growing markets should lead to attractive returns.	3.5	11,828
3	2	**GlaxoSmithKline** (Healthcare) One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. The acquisition of Novartis's stake in their healthcare joint venture should support the dividend and there are no major patent expiries until 2027.	3.4	11,526
4	3	**Unilever** (Consumer goods) A leading manufacturer of branded fast moving consumer goods with more than half of its sales in faster growing emerging markets.	3.4	11,510
5	10	**Secure Income REIT** (Financials)* The highly successful Prestbury property management team has brought together a group of assets (hospitals, leisure parks and hotels) let to strong tenants with leases that should provide a steadily rising stream of income.	3.4	11,455
6	9	**Beazley** (Financials) A specialist insurer with a diverse underwriting portfolio that has generated strong returns and growth. Its vulnerability to natural catastrophes is less than some other insurers as it has grown strongly in other areas.	2.9	9,850
7	14	**Phoenix** (Financials) A UK domestic life assurer actively taking part in consolidation of the sector. The operational and capital efficiences and diversification benefits that come from increased scale underpin and drive an attractive dividend.	2.8	9,733
8	6	**Rio Tinto** (Basic materials) One of the world's foremost mining companies. It has a diversified asset base, but its most significant interests are in low cost, high quality iron ore. It is our principal exposure to the mining sector.	2.8	9,700
9	12	**BP** (Oil and gas) A leading international oil exploration, production and marketing group. BP increased its focus on cost cutting to counter the fall in the oil price and is now expected to benefit from its rebound.	2.8	9,429
10	11	**AstraZeneca** (Healthcare) A major international pharmaceutical company. The pipeline of new drugs is disappointing in the very short term but shows more potential further out.	2.7	9,360

30 September 2018	30 September 2017		% of total investments	Value £'000s
11	15	**Legal and General** (Financials) A focus on generating a strong and growing cash flow allows this UK life assurer to pay an attractive and growing dividend to their shareholders.	2.7	9,177
12	5	**HSBC** (Financials) HSBC's size and complexity were resulting in lower than necessary returns, leading to a substantial restructuring which should help to improve future results. Rising interest rates should also lift returns.	2.6	8,707
13	7	**Prudential** (Financials) International life assurer seeing rapid growth in the Far East, together with attractive returns from its operations in the UK and US. The partial separation of the divisions should help to close the gap in value between the group and the sum of its parts.	2.5	8,358
14	–	**Burford Capital** (Financials)* Burford is the leading provider of finance to fund litigation cases. It is a fast evolving and growing market with attractive returns for those able to navigate its complexities well.	2.4	8,253
15	24	**Informa** (Consumer Services) A worldwide provider of information to a variety of end users (businesses, academics, individuals) across a range of sectors through a number of media (books and journals, internet, exhibitions and events). Its merger with UBM is providing more growth opportunites and synergies.	2.3	7,765
16	16	**OneSavings Bank** (Financials) This specialist challenger bank is experiencing good growth in new mortgage lending at carefully controlled risk levels. Its low cost base helps to drive returns well above most of its competition.	2.2	7,645
17	13	**Melrose Industries** (Industrials) Melrose's most recent acquisition of GKN is offering an outstanding opportunity to revitalise its operations, following the group's well-established path of "Buy, Improve, Sell".	2.1	6,997
18	22	**Intermediate Capital** (Financials) A specialist lender to private companies both on its own behalf and increasingly for third party investors. It's experiencing good demand for its products, generating strong returns and pays an attractive dividend.	2.0	6,782
19	28	**Ibstock** (Industrials) One of the UK's leading manufacturers of clay and concrete building products. It has a very strong position in a consolidated market which shows good demand characteristics.	1.9	6,474
20	8	**British American Tobacco** (Consumer goods) A leading international manufacturer and distributor of cigarettes. In a mature industry, it is able to pay an attractive dividend but is also at the forefront of developing alternatives to traditional tobacco products.	1.9	6,452

The value of the twenty largest equity holdings represents 54.4% (30 September 2017: 51.2%) of the Company's total investments.

*Quoted on the Alternative Investment Market in the UK.

Investment Portfolio by Sector

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
Oil & gas The price of a barrel of Brent crude oil rose strongly over the year from below US$55 to above US$82. This rise of around 50% clearly provided a much more favourable environment for the oil companies to operate in. The oil producers have also gone through a period of heavy cost rationalisation in response to the previous fall in the oil price. These two effects combined to propel upwards the shares prices of BP (+30.7%) and Royal Dutch Shell (+24.1%). Although both of these companies are substantial investments in the portfolio, the weighting in the portfolio is less than that in the Index so this was a negative factor for our relative performance. We are reluctant to invest more in the sector as it is practically impossible to forecast the oil price with any accuracy and cost control in the industry seems to be only periodic. In addition to the uncertainties about the industry's earnings and cashflow, the dangers and difficulties of environmental and operational issues can not be ignored.	+26.6	+26.3	6.9	16.3
Basic materials Compared to the oil price, major commodity prices experienced less of a strong move, with iron ore, for example starting the year at around US$64 per tonne and finishing the year at US$66. However, over the twelve months the price fell as low as US$58 and rose as high as US$76 so commodity prices were still able to live up to their reputation for volatility. The difficulty in accurately forecasting commodity prices and determining the profit that mining companies might make has historically made us cautious of investing too much in this sector. Our only holding is Rio Tinto, which was unchanged during the year; we have chosen to invest in Rio as we believe it to have amongst the highest quality reserves in the industry, which should allow it to operate throughout all stages of the commodity cycle at least as well as other miners.	+15.6	+13.7	3.9	8.1
Industrials This is a reasonably large part of the portfolio and its performance was disappointing in absolute terms and relative to the Index, although this is in part explained by the strength of the returns in our previous year (+18.4% vs. +11.3% for the Index). The biggest contributors to our returns were Xpediator (+136%) and Midwich (+69%), whilst it was also positive not to have invested in Capita, hit by numerous profit warnings. We persist with our investment in Babcock International (-9% after -18% the previous year), believing the share price does not reflect the value of the business and its long-term contracts. It's also notable Melrose Industries had a quiet year (-4%) despite its acquisition of GKN, which should, in time, yield considerable benefits.	+4.4	+5.6	17.3	10.4

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
Consumer goods Performance from this sector was disappointing over the year, but with our returns being less negative than that of the Index. Burberry (+17%) and Diageo (+14%) were again both still good positive contributors on the strength of their brands and exposure to faster growing emerging markets. Bovis (+7%), the housebuilder, also continued its rehabilitation, returning to the basics of building homes properly. The tobacco companies, British American Tobacco (-21%) and Imperial Brands (-11%) continued to be negatively affected by uncertainties around the future of smoking and nicotine delivery.	-0.6	-3.7	14.1	15.1
Healthcare GlaxoSmithKline (+9.2%) and AstraZeneca (+25%) are our two investments in this sector, with AstraZeneca in particular producing good returns over the year; both had seen fairly unexciting performance in our previous year (-5% and +4% respectively). It was a particularly turbulent year for many smaller companies in the sector, who for a variety of reasons experienced very weak performance. We had not invested in any of these so it was a relative positive to avoid the fall of Indivior (-46%), Mediclinic (-33%) and Spire Healthcare (-36%) amongst others.	+15.6	+14.3	6.1	10.2
Consumer services Although there were some notable successes in the sector over the year, there were too many weak performers and missed opportunities. The information and events businesses Informa (+17%) and Ascential (+23%) were the two largest positive contributors with InterContinental Hotels (+23%) yet again performing well. On the negative side, our most significant negative contributor was the collapse of Conviviality (-75%), which more than countered its success of the previous year (+98%). We also had not identified the value within Sky (+93%) which performed strongly as it was subject to a take-over battle.	+1.7	+11.0	11.1	12.3
Telecommunications Almost without exception, the companies in this sector had a poor 12 months. We started the year with relatively small investments in Vodafone and BT, but sold these before the worst of the share price falls. Manx Telecom (+2%), our only remaining holding was the sole exception in the sector, just about kept its head above water.	-2.7	-15.8	0.5	3.1

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
Utilities Not only are the share prices of the companies in this sector fairly sensitive to bond yields, they are also vulnerable to the threat of political interference. As yields rose and the possibility of a Labour government increased, so the share prices decreased. The performance of our two investments, National Grid (-10%) and Severn Trent (-11%) were similar.	-10.3	-9.9	2.1	2.8
Financials This is the largest sector in terms of both the level of absolute investment and when compared to the Index. Although all lumped into the one sector, there is very considerable diversity amongst the Financial companies in which we have invested, ranging from High Street banks to specialist lenders, life and general insurance companies, investment managers and property companies. Our new investment in Burford Capital (+59%) had the largest positive impact on performance, followed by our long-standing investment in Beazley (+22%). We have relatively little invested in the largest banks, much preferring the better returns and growth that can be available from smaller, niche lenders such as Burford, Close Brothers (+13%) and OneSavings Bank (+4%) vs. HSBC (-4%) and Barclays (-9%). Arrow Global (-43%) has been beset by concerns about its business model and its viability in an economic downturn, but, so far at least, we can see nothing to warrant the severe share price fall. Jupiter (-21%) has experienced fund outflows from one of its flagship funds, but for active fund managers this is almost inevitable at some stage.	+6.4	+0.9	35.3	21.0
Technology Our investments in the Technology sector performed well again, led by the take-over of Laird (+42%), although this only recovered some of the ground lost during the previous year's profit warning, SAP (+17%) and RM (+34%). Our relative performance benefitted especially as these latter two investments are not constituents of the Index and as we had not invested in Micro Focus, the largest technology stock in the Index, which had a profit warning.	+13.5	-8.9	2.7	0.7

List of Investments

Quoted investments	Holding	30 September 2018 Value £'000s
UNITED KINGDOM – EQUITIES		
Anglo Pacific	675,868	987
Arrow Global	1,800,000	4,140
Ascential	900,000	3,762
AstraZeneca	157,000	9,360
Babcock International	500,000	3,615
BBA Aviation	1,500,000	4,506
BCA Marketplace	838,324	1,710
Beazley	1,725,000	9,850
Bovis Homes	450,000	4,826
BP	1,600,000	9,429
British American Tobacco	180,000	6,452
Burberry	200,000	4,030
Burford Capital*	425,000	8,253
Close Brothers Group	350,000	5,537
Compass	361,990	6,176
Crest Nicholson	263,607	923
CRH	190,000	4,773
De la Rue	215,916	1,041
Diageo	435,000	11,828
Discoverie	315,762	1,184
DS Smith	1,272,727	6,086
Dunelm	480,000	2,626
FDM	226,881	2,201
GlaxoSmithKline	750,000	11,526
Go Ahead	63,430	1,017
Headlam	397,305	1,881
Hipgnosis Songs	3,300,000	3,539
Hollywood Bowl	732,460	1,641
Howden Joinery	980,000	4,594
HSBC	1,300,000	8,707
Ibstock	2,750,000	6,474
IG	475,000	3,007
Informa	1,018,750	7,765
InterContinental Hotels	91,755	4,386
Intermediate Capital	622,222	6,782
Intertek	100,000	4,992
Jupiter Fund Management	700,000	2,837
Legal and General	3,500,000	9,177
Lloyds Banking Group	10,400,000	6,164
LondonMetric Property	3,000,000	5,328
Manx Telecom*	941,679	1,733
McKay Securities	1,012,661	2,734
Melrose Industries	3,500,000	6,997
Midwich*	232,135	1,532
National Express	472,338	1,843
National Grid	620,000	4,906
OneSavings Bank	1,883,006	7,645
Phoenix	1,439,776	9,733
Photo Me International	1,209,303	1,504
Polypipe	352,679	1,256
Premier Asset Management*	1,010,000	2,525
PRS REIT	1,923,860	1,962
Prudential	475,000	8,358
Rio Tinto	250,000	9,700
RM	802,593	1,637
Royal Dutch Shell	520,000	13,983
RPS	463,099	1,019
Sage	332,716	1,951
Secure Income REIT*	2,900,000	11,455
Severn Trent	115,000	2,126
Sirius Real Estate	4,302,273	2,667
Strix*	695,767	1,166
Tarsus	830,309	2,325
The Works	894,086	1,502
Treatt	574,823	2,771
Tyman	367,304	1,284
Ultra Electronics	139,213	2,211
Unilever	273,000	11,510
WPP	430,000	4,833
XP Power	97,600	2,889
Xpediator*	2,473,229	1,533
UNITED KINGDOM TOTAL EQUITY		332,402
EUROPE (EX UK) – EQUITIES		
Glanbia (Republic of Ireland)	390,000	5,134
SAP (Germany)	36,964	3,498
EUROPE (EX UK) TOTAL EQUITY		**8,632**
TOTAL INVESTMENTS		**341,034**

The number of investments in the portfolio is 73 (2017:77).

*Quoted on the Alternative Investment Market in the UK.

Steven Bates
Chairman
5 December 2018

Directors

Steven Bates, **Chairman.**
Appointed to the Board on 3 May 2011. Steven is chairman of Vietnam Opportunities Fund Ltd and a director of The Biotech Growth Trust PLC, British Empire Securities & General Investment Trust PLC and Magna Umbrella Fund PLC. He is also a director of GuardCap Asset Management, a specialist investment management company. He sits on, or is advisor to, various committees in the wealth management and pension fund areas. He was head of global emerging markets at JP Morgan Asset Management until 2002.

Sharon Brown, Chairman of the Audit and Management Engagement Committee.
Appointed to the Board on 16 September 2013. She is a non-executive director and chairman of the audit committees of Fidelity Special Values PLC, Celtic PLC and McColls Retail Group PLC. She is also a director of a number of limited companies in the retail sector. She is a fellow of the Institute of Chartered Management Accountants and was, between 1998 and 2013, Finance Director and Company Secretary of Dobbies Garden Centres PLC.

Clare Dobie, **Senior Independent Director.**
Appointed to the Board on 16 July 2012. She is a non-executive director of Aberdeen New Thai Investment Trust PLC, Alliance Trust PLC and Schroder UK Mid Cap Fund PLC. Until 2015 she also ran her own marketing consultancy. She began her career as a financial journalist, working at the BBC, The Times and The Independent, where she was City Editor. She was then Head of Clients at Barclays Global Investors and Head of Marketing at GAM.

Jane Lewis was appointed on 24 November 2015. She is a non-executive director of BlackRock World Mining Trust PLC, Invesco Perpetual UK Smaller Companies Investment Trust PLC and The Scottish Investment Trust PLC. She was a Director of Corporate Finance and Broking at Winterflood Investment Trusts until August 2013. Prior to this she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.

Tim Scholefield was appointed to the Board on 25 November 2014. He is chairman of City Merchants High Yield Ltd and a non-executive director of Fidelity Asian Values PLC and Standard Life UK Smaller Companies Trust PLC. He has 29 years of investment experience, including his role as Head of Equities at Baring Asset Management until April 2014.

No Director holds a directorship elsewhere in common with other members of the Board.

All Directors are members of the Audit and Management Engagement Committee and the Nomination Committee which was established on 26 November 2018.

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 September 2018. The Corporate Governance Statement; the Report of the Audit and Management Engagement Committee; and the Directors' Remuneration Report form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit and Management Engagement Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The outlook for the Company can be found on page 7 and the principal risks and uncertainties can be found on pages 14 and 15. Note 22 on the accounts sets out the financial risk profile of the Company and indicates the effect on the assets and the liabilities of fluctuations in the value of securities, and exchange and interest rates. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R, other than in respect of Listing Rule 9.8.4(7)R concerning the issue of shares which is on page 28.

Results and dividends

The results for the year are set out in the attached accounts. Net assets of the Company as at 30 September 2018 were £327,472,000 (2017: £312,463,000). The Company's dividend payments are set out below.

Dividends paid in the year ended 30 September 2018	
	£'000s
4th interim for the year ended 30 September 2017 of 3.45 pence per share paid on 27 December 2017	3,413
1st interim for 2018 of 2.45 pence per share paid on 29 March 2018	2,445
2nd interim for 2018 of 2.45 pence per share paid on 29 June 2018	2,469
3rd interim for 2018 of 2.45 pence per share paid on 28 September 2018	2,476
	10,803

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.60 pence per share. This will be paid on 28 December 2018 to Shareholders on the register of members on 14 December 2018. This dividend, together with the other three interim dividends paid during the year (of 2.45 pence per share each), makes a total dividend of 10.95 pence per share. This represents an increase of 2.8% over the 10.65 pence per share paid in respect of the previous year.

As dividends are paid quarterly at the end of March, June, September and December the Company does not pay a final dividend in February that would otherwise require formal Shareholder approval at the AGM. Formal approval will therefore be sought at the AGM to continue quarterly payments. (Resolution 7).

Continuation vote

In accordance with the articles of association, a continuation vote is proposed at every fifth annual general meeting. The next such vote will take place at the annual general meeting in 2023.

Company status and change of name

The Company is a public limited company and an investment company as defined by section 833 of the Companies Act 2006. It is registered in England and Wales with company registration number 02732011 and is subject to the UK Listing Authority's listing rules, UK and European legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

The name of the Company was changed by a resolution of the Board on 9 November 2018 from F&C Capital and Income Investment Trust PLC to BMO Capital and Income Investment Trust PLC in accordance with article 6 of the Company's articles of association. The Company's London Stock Exchange TIDM code ("**ticker**") was changed from FCI to BCI.

Taxation

The Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with section 1158. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

The Company has received approval from HMRC as an investment trust under section 1158 and has since continued to comply with the eligibility conditions and ongoing requirements of that section.

Accounting and going concern

Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM (Resolution 1). The financial statements, starting on page 51, comply with current UK financial reporting standards, supplemented by the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts ("**SORP**") issued by the AIC. The significant accounting policies of the Company are set out in note 2 on the accounts. The unqualified Independent Auditors' Report on the financial statements appears on pages 44 to 49. As discussed in note 21 on the Accounts, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of the approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. Accordingly, it is reasonable for the financial statements to continue to be prepared on a going concern basis. The Company's longer term viability is considered in the Future Prospects "Rolling Three Year Viability Horizon" Statement on page 15.

Statement as to disclosure of information to the auditors

Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which PricewaterhouseCoopers LLP ("**PwC**" or the "**auditors**") are unaware and they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that PwC is aware of that information.

Reappointment of auditors

PwC have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their reappointment and authorising the Audit and Management Engagement Committee to determine their remuneration for the ensuing year will be put to Shareholders at the AGM (Resolutions 5 and 6). Further information in relation to the appointment can be found on pages 38 and 39.

Capital structure

As at 30 September 2018 there were 101,059,268 ordinary shares of 25 pence each in issue. As at 30 November 2018 (being the latest practicable date before publication of this report) the number of ordinary shares was 101,634,268.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 14 on the accounts. The revenue profits of the Company (including accumulated revenue reserves), together with the realised capital profits, are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to Shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Issue and buyback of shares

At the AGM held on 13 February 2018 Shareholders renewed the Board's authority to issue further ordinary shares up to 10% of the number then in issue. To satisfy demand for the Company's shares, mainly from holders through the BMO savings plans, the Company issued shares on eleven separate occasions in the year under review. A total of 2,525,000 shares with a nominal value of £631,250 were issued to Cenkos Securities plc in a range between 310 pence and 343 pence and at an average price of 325 pence for a total consideration of £8,201,000 before the deduction of issue costs. A further 575,000 have been issued since the year end, up to 30 November 2018.

Subject to annual Shareholder approval, the Company may also purchase up to 14.99% of its own issued ordinary shares at a discount to NAV per share. The shares bought back can either be cancelled or held in treasury to be sold as and when the share price returns to a premium. At the AGM held on 13 February 2018 Shareholders gave the Board authority to buy back ordinary shares up to 14.99% of the number then in issue. No shares were bought back either during the year under review or since the year end to the date of this report. No shares are currently held in treasury.

Voting rights and proportional voting

At 30 November 2018 the Company had 101,634,268 ordinary shares in issue with a total of 101,634,268 voting rights. As at that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Approximately 78% of the Company's share capital is held on behalf of non-discretionary clients through the BMO savings plans. The nominee company holding these shares votes the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have ("**proportional voting**"). Implementation of this arrangement is subject to a minimum threshold of 10% of the shares held in the BMO savings plans being voted. A maximum limit of 398,000 shares that any one individual investor can vote, being approximately 5% of the relevant minimum threshold, also applies. Any individual voting directions received in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has the flexibility to borrow over the longer term and to use short-term borrowings by way of loans and overdrafts, subject to the limit set out on page 10 in the Company's investment policy statement. The Company's £20 million credit facility with State Street Bank and Trust Company matured on 28 March 2018 and was replaced by a new three-year multicurrency revolving facility agreement of up to £30 million with Scotiabank (Ireland) ("**Scotiabank**"). The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates. An overdraft arrangement is available to the Company by the Custodian for settlement of investment trades if necessary. Further reference is made in note 13 on the accounts.

Remuneration Report

The Directors' Remuneration Report, which can be found on page 35, provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the AGM on 12 February 2019. (Resolution 2). The Directors' Remuneration Policy, also set out on page 35, was last approved by Shareholders in 2017. It is intended that it will next be put to Shareholders in 2020.

Director re-elections

The names of the current Directors, along with their biographical details, are set out on page 26 and are incorporated into this report by reference. All the Directors held office throughout the year under review. All are required to stand for re-election for a fixed term of no more than three years and therefore Clare Dobie and Jane Lewis will stand for re-election. Following a review of their performance, the Board believes that each of the Directors has made a valuable and effective contribution to the Company. The Board recommends that Shareholders vote in favour of the re-election resolutions for both Directors (Resolutions 3 and 4).

Directors' interests and indemnification

There were no contracts of significance to which the Company was a party and in which a Director is, or was, materially interested during the year. There are no agreements between the Company and its Directors concerning compensation for loss of office.

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as Directors of the Company. This covers any liabilities that may arise to a third party for negligence, default or breach of trust or duty. This deed of indemnity is a qualifying third-party provision (as defined by section 234 of the Companies Act 2006) and has been in force throughout the period under review and remains in place as at the date of this report. It is available for inspection at the Company's registered office during normal business hours and will be available at the AGM. The Company also maintains directors' and officers' liability insurance.

Safe custody of assets

The Company's listed investments are held in safe custody by JP Morgan Chase Bank (the "**Custodian**"). Operational matters with the Custodian are carried out on the Company's behalf by BMO GAM in accordance with the provisions of the management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

Depositary

JPMorgan Europe Limited acts as the Company's Depositary (the "**Depositary**") in accordance with the AIFMD. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include: cash monitoring; ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the Custodian; and monitoring the Company's compliance with investment and leverage limits requirements. The Depositary receives for its services a fee of one basis point per annum on the value of the Company's net assets, payable monthly in arrears.

Although the Depositary has delegated the safekeeping of all assets held within the Company's investment portfolio to the Custodian, in the event of loss of those assets that constitute financial instruments under the AIFMD, the Depositary will be obliged to return to the Company financial instruments of an identical type, or the corresponding amount of money, unless it can demonstrate that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Manager's fee

A quarterly fee of 0.1% of funds under management is payable in arrears to the Manager in respect of the management, administration and ancillary services provided to the Company (see note 4 on the accounts).

Manager evaluation and re-appointment

The review of the Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting, with a formal evaluation taking place in November each year. In evaluating the performance of the Manager, the Audit and Management Engagement Committee considers a range of factors including the investment performance of the portfolio and the skills, experience and depth of the team involved in managing the Company's assets.

It also considers the resources and commitment of BMO GAM in all areas of their responsibilities, including the marketing and administrative services provided to the Company.

In light of the strong investment performance against the Benchmark and the quality of the overall service provided, it is the opinion of the Board that the continuing appointment of the Manager on the terms agreed is in the interests of Shareholders as a whole.

AGM

The AGM will be held on Tuesday 12 February 2019 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of AGM appears on page 75. Julian Cane will give a presentation on the year under review, progress in the year to date and his views on the market outlook. There will be an opportunity to ask questions during the meeting and afterwards Shareholders will be able to meet the Directors and Mr Cane informally. Resolutions numbered 8 to 10 are explained below.

Authority to allot shares and sell shares from treasury (Resolutions 8 and 9)

Resolutions 8 and 9 are similar in content to the authorities and power previously given to the Directors by Shareholders. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by Shareholders. In addition, directors require specific authority from Shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury without first offering them to existing Shareholders in proportion to their holdings.

Resolution 8 gives the Directors, for the period until the conclusion of the annual general meeting in 2020 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £2,540,750 (10,163,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 30 November 2018.

Resolution 9 empowers the Directors to allot such securities for cash, other than to existing Shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing Shareholders in proportion to their holdings up to an aggregate nominal amount also of £2,540,750 (representing approximately 10% of the issued ordinary share capital of the Company at 30 November 2018) and amounting to 10,163,000 ordinary shares. These authorities and powers will provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on page 10 or should any other favourable opportunities arise to the advantage of Shareholders. The Directors anticipate that they will mainly use them to satisfy demand from participants in the BMO savings plans when they believe it is advantageous to plan participants and the Company's Shareholders to do so. In no circumstances would the Directors use them to issue or sell any shares from treasury unless the existing shares in issue are trading at a premium to NAV. As at 30 November 2018 no shares were held by the Company in treasury.

Authority for the Company to purchase its own shares (Resolution 10)

Resolution 10 authorises the Company to purchase up to a maximum of 15,234,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital) at a minimum price of 25 pence per share and a maximum price per share (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase. The Directors intend to use this authority with the objective of enhancing Shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing net asset value per ordinary share which would have the effect of enhancing that value for remaining

Shareholders. Any ordinary shares that are purchased would either be placed into treasury or cancelled.

The authority will continue until the expiry of 15 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in a general meeting by special resolution. The Board intends to seek future renewal of the authority.

Form of proxy

Registered Shareholders will find enclosed a form of proxy for use at the AGM. Shareholders also have the option of lodging their proxy votes using the internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Votes should be lodged as soon as possible in accordance with the instructions whether or not Shareholders intend to be present at the AGM. This will not preclude Shareholders from attending and voting in person.

All proxy appointments should be submitted so as to be received not later than 48 hours before the time appointed for holding the AGM (any part of a day which is a non-working day shall not be included in calculating the 48 hour period).

Form of direction

If you are an investor in any of the BMO savings plans you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the internet. BMO GAM operates a proportional voting arrangement, which is explained on page 28.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 11:30 am on 5 February 2019, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

The Board considers that the resolutions to be proposed at the meeting are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors recommend that Shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

By order of the Board
BMO Investment Business Limited
Secretary
5 December 2018

Corporate Governance Statement

Introduction

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("**AIC Code**") and believes that the Company has complied with its recommendations applicable to investment trust companies during the year under review and up to the date of this report. The Company has thereby complied with the relevant provisions of the 2016 UK Corporate Governance Code ("**UK Code**") except as set out below.

The UK Code includes provisions relating to:
- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Corporate Governance Guide for Investment Companies the Board considers these provisions as not being relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day to day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive directors, employees or internal operations. Therefore, with the exception of the need for an internal audit function, which is addressed on page 38, the Company has not reported further in respect of these provisions.

Copies of both codes may be found on the respective websites: theaic.co.uk and frc.org.uk

The Board will report in relation to compliance with the new 2018 UK Code in the Report and Accounts for the year ending 30 September 2019.

Articles of association

The Company's articles of association may only be amended by special resolution at general meetings of Shareholders.

The Board

The Board is responsible for the effective stewardship of the Company's affairs and has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share issue and buyback policy, risk and control assessment, investment performance monitoring and budget approval. It is responsible for the review and approval of annual and half-yearly reports and other public documents.

In order to enable the Directors to discharge their responsibilities, they all have full and timely access to relevant information. Including an annual strategy meeting, the Board meets at least five times a year and at each meeting reviews the Company's management information, which includes reports on investment performance and strategic matters and financial analyses. Income forecasts and costs are reviewed within set budgets. The Board monitors compliance with the Company's objectives and is responsible for setting the asset allocation, investment and gearing ranges within which the Manager has discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad hoc basis to consider particular issues as they arise. The following table sets out the Directors' meeting attendance in the year under review. All Directors attended the annual general meeting in February 2018 and a strategy meeting in September 2018.

Meeting attendance

	Board	Audit and Management Engagement Committee
No. of meetings	5	3
Steven Bates	5	3
Sharon Brown	5	3
Clare Dobie	5	3
Jane Lewis	5	3
Tim Scholefield	5	3

Committees of the Board met during the year to undertake business such as the approval of the Company's results and dividends.

Each Director has a signed letter of appointment to formalise the terms of their engagement as a non-executive Director, copies of which are available for inspection at the Company's registered office during normal business hours and are also available at each Shareholder meeting.

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such professional advice was taken by Directors during the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement. The powers of the Board relating to the buying back or issuance of the Company's shares are explained on page 30.

Nomination Committee

The Nomination Committee was established on 26 November 2018, prior to which its responsibilities were carried out by the Board. The role of the Nomination Committee is to review and make recommendations to the Board with regard to:

(i) The structure and size of the Board and its composition particularly in terms of succession planning and the experience and skills of the individual Directors and diversity across the Board as a whole;
(ii) tenure policy;
(iii) the criteria for future Board appointments and the methods of recruitment, selection and appointment;
(iv) the appointment of new Directors and the reappointment of those Directors standing for re-election at annual general meetings;
(v) the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;
(vi) the question of each Director's independence prior to publication of the Report and Accounts; and
(vii) the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Companies Act 2006 and the policy and procedures established by the Board in relation to these provisions;

All of the Nomination Committee's responsibilities have been carried out during the period under review and to the date of this report.

The Nomination Committee's terms of reference are available on request and can also be found on the Company's website at bmocapitalandincome.com. The Nomination Committee is composed of the full Board and is chaired by Steven Bates.

Appointments, diversity and succession planning

Under the articles of association of the Company, the number of Directors on the Board cannot exceed ten. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments by the Board are subject to subsequent election by Shareholders.

The Board keeps under review its structure, size, composition, experience, diversity and skill ranges. Appointments of all new Directors are made on a formal basis, normally using professional search consultants, with the Board agreeing the selection criteria and the method of recruitment, selection and appointment.

An induction process takes place for new appointees and all Directors are encouraged to attend relevant training courses and seminars. All Directors are required to stand for re-election for a fixed term of no more than three years and those Directors serving more than six years are subject to more rigorous review before being proposed for re-election. Each Director's appointment is reviewed prior to submission for re-election, which includes consideration of independence.

Board effectiveness

During the year, in order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carried out a process of formal annual self-appraisal. This was facilitated by way of confidential interviews between the Chairman and each Director. Key representatives of the Manager also participated in the process and provided feedback to the Board. The appraisal of the Chairman was carried out by the Board under the leadership of the Senior Independent Director. The Board considers that the appraisal process is a constructive means of evaluating the contribution of individual Directors and identifying ways to improve the functioning and performance of the Board and its committees and building on and improving collective strengths, including assessing any training needs. The option of using external consultants to conduct this evaluation is kept under review.

The Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Secretary and other parties, including the AIC.

Board independence and tenure

The Board believes that all of its Directors are independent in character and judgement, with no relationships or circumstances relating to the Company or the Manager that are likely to alter this position and regularly reviews their independent status. In line with the AIC Code, the Board believes that length of service does not necessarily compromise the independence or contribution of directors of investment trust companies, where experience and continuity can be a significant strength.

Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the company (a "**situational conflict**"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Company's Directors.

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. They are reviewed throughout the year at each Board meeting and the authorisation of each individual Director's conflicts or potential conflicts annually. These authorisations were reviewed in November 2018 when it was concluded that in each case these situational conflicts had not affected any individual in his/her role as a Director of the Company.

Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

In the year under review there have been no instances of a Director being required to be excluded from a discussion or abstain from voting because of a conflict of interest.

Audit and Management Engagement Committee

The Board has established an Audit and Management Engagement Committee, the role and responsibilities of which are set out in its report on pages 37 to 40.

Remuneration Committee

As the Company has no executive Directors or employees, and the Board is composed solely of non-executives, a Remuneration Committee has not been established. Detailed information on the Directors' remuneration can be found in the Directors' Remuneration Report on pages 35 and 36 and in note 5 on the accounts.

Relations with Shareholders

Shareholder communication is given a high priority. In addition to the annual and half-yearly reports that are available to Shareholders, monthly fact sheets and general information are also available on the Company's website at bmocapitalandincome.com.

At Shareholder meetings, all investors have the opportunity to question and meet the Chairman, the Board and the Fund Manager.

Regular reports are made to the Board on any contact with the Company's institutional Shareholders and private client asset managers and the views and attitudes of Shareholders and the level and nature of any complaints received from investors. The Chairman and the Senior Independent Director are available to meet with major Shareholders, although no meetings were held in the year under review.

Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Secretary at the registered office address as detailed on page 42.

By order of the Board
BMO Investment Business Limited
Secretary
5 December 2018

Directors' Remuneration Report

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. Time committed to the Company's affairs and the role that individual Directors fulfil in respect of Board and Committee responsibilities are taken into account. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. This policy was approved by Shareholders in February 2017 with 89.7% voting in favour. It is intended that Shareholders will next be asked to vote on remuneration policy at the annual general meeting in 2020. The Board has not received any views from Shareholders in respect of the levels of Directors' remuneration.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £180,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director. The fees are fixed and are payable in cash, half yearly in arrears. The fees are reviewed each year. Towards the end of the year the Chairman carried out a review of fee rates in accordance with the policy. The Board agreed his recommendation that commencing 1 October 2018 the basic Directors' fee should be £24,000 representing an increase of 2.1% since the last increase on 1 October 2017 and that the Senior Independent Director receive an additional fee of £1,500. The Board also agreed to the Senior Independent Director's recommendation that the Chairman's fee be increased to £36,000; a rise of 2.8%.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed. Each new Director is provided with a letter of appointment. There is no provision for compensation upon early termination of appointment. The letters of appointment are available for inspection at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming AGM.

The fees for specific responsibilities are set out in the table below.

Annual fees for Board Responsibilities

	2019 £'000s	2018 £'000s
Chairman	36.0	35.0
Director	24.0	23.5
Senior Independent Director(1)	25.5	23.5
Audit Committee Chairman(2)	29.0	28.5

(1) Director fee plus £1,500 as Senior Independent Director
(2) Director fee plus £5,000 as committee chairman

Directors' shareholdings

Directors' share interests (audited)

At 30 September	2018	2017
Steven Bates	nil	nil
Sharon Brown	1,500	1,500
Clare Dobie	2,570	2,570
Jane Lewis	1,534	1,534
Tim Scholefield	8,500	8,000

The Company's register of Directors' interests contains full details of Directors' shareholdings.

There have been no changes in any of the Directors' shareholdings detailed above between 30 September 2018 and the date of this report. No Director held any interests in the issued shares of the Company other than as stated above. There is no requirement for the Directors to hold shares in the Company.

Policy Implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to Shareholders at the forthcoming AGM. At the last meeting, Shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2017. 91.7% of votes were cast in favour of the resolution.

Directors' remuneration for the year

The Directors who served during the year received the following amounts for services as non-executive Directors for the years ended 30 September 2018 and 2017 and can expect to receive the fees indicated for 2019 as well as reimbursement for expenses necessarily incurred.

Fees for services to the Company (audited)

	Fees £'000s (audited)		Taxable Benefits[1] £'000s (audited)		Total £'000s (audited)		Anticipated Fees[2] £'000s
Director	2018	2017	2018	2017	2018	2017	2019
Steven Bates[3]	35.0	33.0	–	–	35.0	33.0	36.0
Sharon Brown	28.5	27.0	4.7	4.5	33.0	31.5	29.0
Clare Dobie	23.5	22.0	0.3	0.3	24.0	22.3	25.5
Jane Lewis	23.5	22.0	0.4	1.0	23.9	23.0	24.0
Tim Scholefield	23.5	22.0	–	–	23.5	22.0	24.0
Total	134.0	126.0	5.4	5.8	139.4	131.8	138.5

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the course of the year ending 30 September 2019. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Highest paid Director

The information in the above table for the years 2017 and 2018 has been audited.

The table below shows the actual expenditure during the year in relation to Directors' remuneration (excluding taxable benefits) and Shareholder distributions:

Actual expenditure

Year ended 30 September	2018 £'000s	2017 £'000s	% Change
Aggregate Directors' fees	134	126	6.3
Management and other expenses[1]	1,906	1,792	6.4
Dividends paid to Shareholders	10,803	10,221	5.7

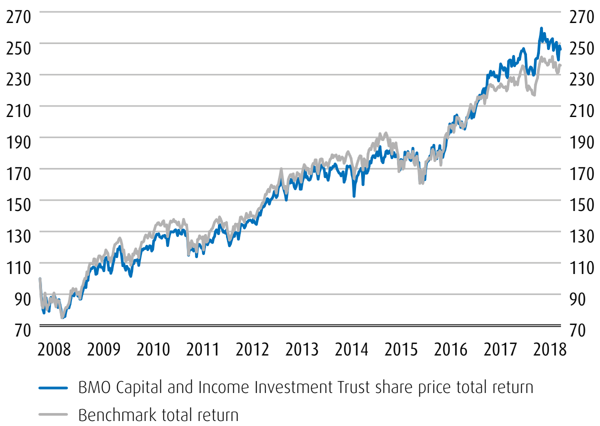
(1) Includes Directors' remuneration.

Company Performance

The Board is responsible for the Company's investment strategy and performance. The management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company for the year ended 30 September 2018 is given in the Chairman's Statement and Manager's Review.

A comparison of the Company's performance over the required ten-year period is set out in the following graph. This shows the total return (assuming all dividends are re-invested) to ordinary Shareholders against the Company's Benchmark.

Shareholder total return vs Benchmark total return over ten years (rebased to 100 at 30 September 2008)



Source: BMOGAM & Refinitiv Eikon

On behalf of the Board
Steven Bates
Chairman
5 December 2018

Report of the Audit and Management Engagement Committee

The primary responsibilities of the Audit and Management Engagement Committee (the "**Committee**") are to ensure the integrity of the financial reporting of the Company and the appropriateness of the internal controls and risk management processes.

Role of the Committee

The Committee met on three occasions during the year, and the attendance of each of the members is set out on page 32. The Trust Accountant, the Fund Manager and Risk Managers of BMO GAM were invited to attend certain meetings to report on relevant matters. The external auditor, PwC, attended two of the committee meetings and also met in private session with the Committee chairman.

Specifically, the Committee considered, monitored and reviewed the following matters:

- The audited annual results statement and report and accounts and the unaudited half-yearly results statement and report and accounts;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's future prospects statement on viability;
- The effectiveness of the external audit process and the current independence and objectivity of PwC as auditors, their reappointment, remuneration and terms of engagement;
- The policy on the engagement of PwC to supply non-audit services and approval of any such services;
- The need for the Company to have its own internal audit function;
- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian, Depositary and a due diligence report from the Company's share registrar;
- The performance of the Manager and its fees; and
- The Committee's terms of reference, which can be found on the website at bmocapitalandincome.com

Comprehensive papers and reports relating to each of these matters were debated by the Committee and recommendations were then made to the Board as appropriate.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 41. On broader control policy issues, the Committee has reviewed, and is satisfied with, BMO's Code of Conduct and their Criminal Risk Corporate Standard (the "**Standard**") to which BMO GAM and its employees are subject. The Standard is supported by BMO's Anti-Bribery and Anti-Corruption Operating Directive. The Committee has also reviewed BMO GAM's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication to this Committee where matters might impact the Company with appropriate follow up action. In the year under review, there were no such concerns raised with the Committee.

Composition of the Committee

All the Directors of the Company are independent and are members of the Committee. Sharon Brown, chairman of the Committee, is a Chartered Management Accountant with experience as a finance director and is chairman of the audit committees of other companies, including another investment trust company. The other members of the Committee have a combination of relevant financial, investment and business experience through the senior posts held throughout their careers. The Committee considers that collectively the members have sufficient recent and relevant sector and financial experience to discharge their responsibilities. The performance of the Committee was evaluated as part of the Board appraisal process.

Management of risk

BMO GAM's Business Risk department provide regular control report updates to the Committee covering risk and compliance while any significant issues of direct relevance to the Company are required to be reported to the Board immediately.

A key risk "radar" summary is produced by BMO GAM in consultation with the Board to identify the risks to which the Company is exposed, the controls in place and the actions being taken to mitigate them. The Board has a robust process for considering the resulting risk matrix and reviews the significance of the risks and the reasons for any changes.

The Company's Principal Risks and their mitigations are set out on page 14 with additional information given in note 22 on the Accounts. The integration of these risks into the analyses underpinning the "Rolling Three Year Viability Horizon" Statement on page 15 was fully considered and the Committee concluded that the Board's statement was soundly based. The period of three years was also agreed as remaining appropriate for the reasons given in the statement.

Internal controls

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the day-to-day operations, which are managed by BMO GAM. The Committee has reviewed and reported to the Board on these controls, which 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. Control of the risks identified, covering financial, operational, compliance and overall risk management, is exercised by the Committee and the Board through regular reports provided by BMO GAM. The reports cover investment performance, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the BMO savings plans and other relevant management issues.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company's internal control systems. The assessment included a review of the BMO GAM risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2017 (the "**ISAE/AAF Report**") and subsequent confirmation from BMO GAM that there had been no material changes to the control environment since this date. This had been prepared by BMO GAM for all its investment trust clients to the International Standard on Assurance Engagement ("**ISAE**") No.3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06).

The ISAE/AAF Report, containing an unqualified opinion from independent reporting accountants KPMG, sets out BMO GAM's control policies and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Board meeting by BMO GAM. No failings or weaknesses material to the overall control environment and financial statements were identified in the Company's year under review. The Committee also reviewed the control reports of the Custodian, the Depositary and the Share Registrar and were satisfied that there were no material exceptions.

Through the reviews and reporting arrangements set out above and by direct enquiry of BMO GAM and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year or to the date of this report.

Based on review, observation and enquiry by the Committee and Board of the processes and controls in place within BMO GAM, including the unqualified opinion of a reputable independent accounting firm that those controls operated satisfactorily, the Committee has concluded that there is no current need for the Company to have an internal audit function and the Board has concurred.

External audit process and significant issues considered by the Committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the 2018 external audit. The table on page 39 describes the significant judgements and issues considered by the Committee in conjunction with PwC in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements and estimates referred to in note 2(c) (xiii) on the Accounts.

The Committee met in November 2018 to discuss the draft Report and Accounts, with representatives of PwC and BMO GAM in attendance. PwC submitted their Year-End report to the Committee and confirmed that they had no reason not to issue an unqualified audit opinion in respect of the Report and Accounts. The Committee established that

Significant Judgements and Issues considered by the Committee in 2018	
Matter	**Action**
Investment Portfolio Valuation	
The Company's portfolio is invested in listed securities. Although the vast majority of the securities are highly liquid and listed on recognised stock exchanges, errors in the valuation could have a material impact on the Company's net asset value per share.	The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2017, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities. BMO GAM has provided further assurance that controls have operated satisfactorily since that date. The valuation and existence of investments were tested and reported on by the auditors as set out on page 45.
Misappropriation of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2017, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Committee also reviewed the Custodian's annual internal control report to 31 March 2018, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager, Depositary and Custodian, in respect of controls operating in subsequent periods up to 30 September 2018, were also reviewed and agreed as being satisfactory.
Income Recognition	
Incomplete or inaccurate recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Committee reviewed BMO GAM's ISAE/AAF Report and subsequent confirmation referred to above. It also assessed the final level of income received for the year against the budget which was set at the start of the year and discussed the accounting treatment of special dividends with the Manager. Investment income was also tested and reported on by the auditors as set out on page 45.

there were no material issues or findings arising which needed to be brought to the attention of the Board and confirmed that the Report and Accounts were in their view fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The Independent Auditors' Report, which sets out their unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 44 to 49.

Auditor assessment, independence and appointment

The Company reviews the reappointment of the auditor every year and the Committee has been satisfied with the effectiveness of PwC's performance on the audit just completed. PwC have confirmed their independence of the Company and have complied with relevant auditing standards. In evaluating PwC, the Committee has taken into consideration the standing, skills and experience of the firm and the audit team. From direct observation and indirect enquiry of management, the Committee remains satisfied that PwC will continue to provide effective independent challenge in carrying out their responsibilities. The Committee also considered the evaluation of PwC's audit performance through the Audit Quality Review.

Their fee for the audit was £29,840 (2017: £29,110) as shown in Note 5 on the accounts.

At the forthcoming AGM Shareholders will be asked to vote on the reappointment of PwC for the audit for the year ending 30 September 2019. They have been auditor to the Company since its inception in 1992 and therefore, under mandatory audit rotation rules, will no longer be eligible for appointment beyond the annual general meeting following 17 June 2020. Jeremy Jensen's retirement by rotation as senior statutory auditor will coincide with the 2019 audit. The audit for the year ending 30 September 2020 will be put out to tender during the course of 2019. The audit was last put out to tender during the year ended 30 September 2012, at which time the Board concluded that PwC's appointment should continue.

Non-audit services

The Committee regards the continued independence of the auditor to be a matter of the highest priority. The Company's policy with regard to the provision of non-audit services by the external auditor ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditors are not considered to be expert providers of the non-audit services;
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; and

- the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

In particular, the Committee has a policy that the costs of all non-audit services sought from the auditors in any one year should not exceed 70% of the average paid over the last three consecutive years.

Non-audit services for the year ended 30 September 2018 totalled £7,400, which related to the liquidation of the subsidiary company, F&C Income Growth Investment Trust PLC ("**FIGIT**"), and was therefore charged to capital. The Committee considers the services to have been cost effective and not to have compromised the independence of PwC. The subsidiary was dissolved on 28 March 2018.

Sharon Brown
Chairman of the Audit and
Management Engagement Committee
5 December 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts, 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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 Report and Accounts is published on the bmocapitalandincome.com website, which is maintained by BMO GAM. The Directors are responsible for the maintenance and integrity of the Company's website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors listed on page 26 confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Steven Bates
Chairman
5 December 2018

Management and Advisers

The Management Company

BMO Capital and Income Investment Trust PLC is managed by BMO Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) PLC which is ultimately owned by Bank of Montreal. BMO Investment Business Limited is authorised and regulated in the UK by the Financial Conduct Authority and is appointed under a management agreement with the Company setting out its responsibilities for investment management, administration and marketing.

The Manager also acts as the Alternative Investment Fund Manager.

Julian Cane Fund Manager and director of UK equities at BMO GAM, has managed the Company's investments since March 1997. He joined in 1993.

Marrack Tonkin Head of Investment Trusts at BMO GAM. He has responsibility for the relationship with the Company. He joined in 1989.

Hugh Potter Represents the Manager as Company Secretary and is responsible for the Company's statutory compliance. He joined BMO GAM in 1982.

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Secretary and Company's Registered Office

BMO Investment Business Limited
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Primrose Street
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Telephone: 020 7628 8000
Facsimile: 020 7628 8188
Website: bmocapitalandincome.com
Email: info@bmogam.com

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Bankers

JPMorgan Chase Bank
25 Bank Street, Canary Wharf
London E14 5JP

Custodian

JPMorgan Chase Bank
25 Bank Street, Canary Wharf
London E14 5JP

Depositary

JPMorgan Europe Limited
25 Bank Street, Canary Wharf
London E14 5JP

Share Registrars

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ

Telephone: 0370 889 4094

Authorised and regulated in the UK by the Financial Conduct Authority.

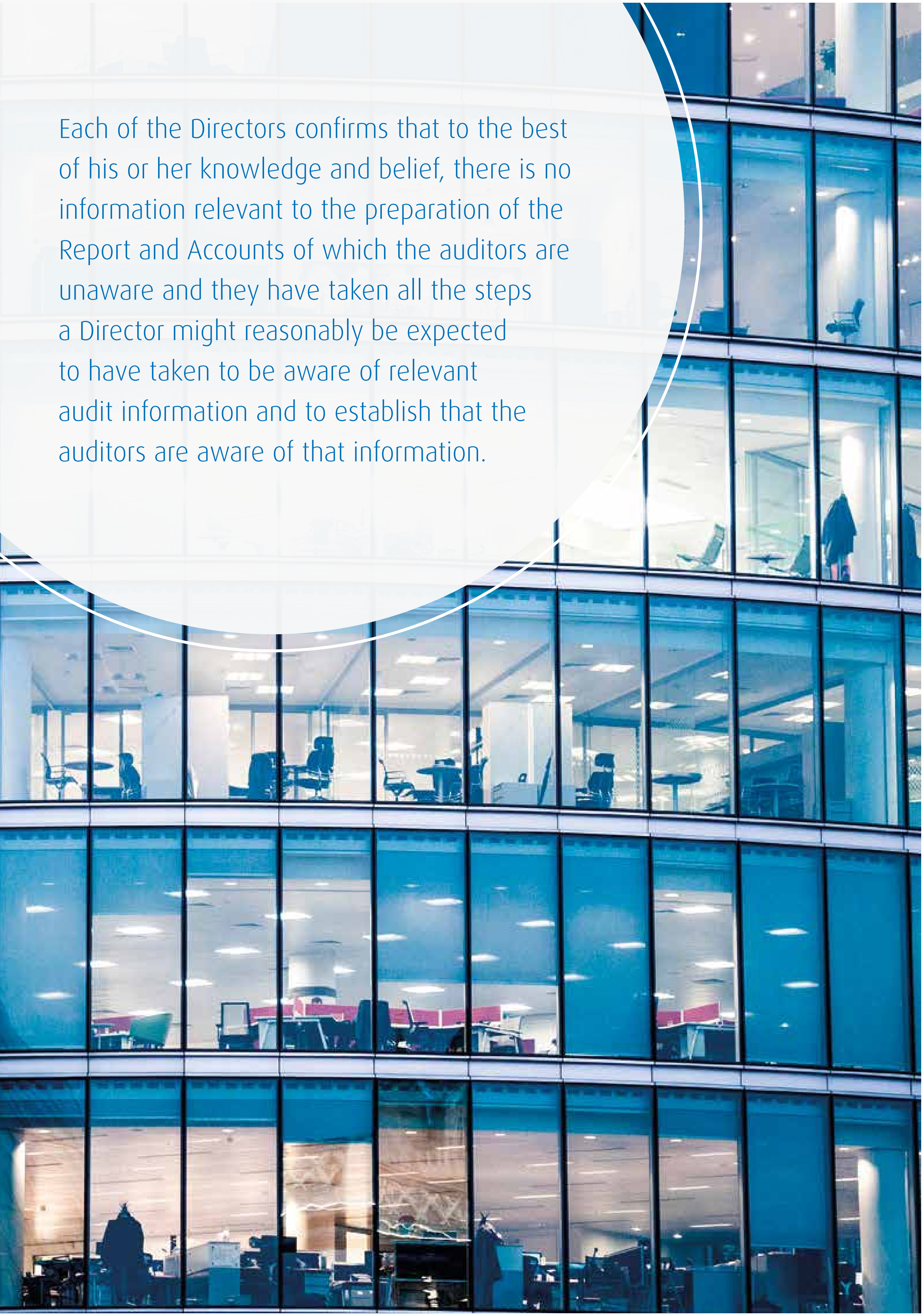
Solicitors

Dickson Minto W.S.
Broadgate Tower, 20 Primrose Street
London EC2A 2EW

Stockbrokers

Cenkos Securities plc
6–8 Tokenhouse Yard
London EC2R 7AS

Each of the Directors confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which the auditors are unaware and they have 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 auditors are aware of that information.



Independent Auditors' Report

Independent auditors' report to the members of BMO Capital and Income Investment Trust PLC

Report on the audit of the financial statements

Opinion

In our opinion, BMO Capital and Income Investment Trust PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Accounts 2018 (the "**Annual Report**"), which comprise: the balance sheet as at 30 September 2018; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Management Engagement Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("**ISAs (UK)**") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

- Overall materiality: £3.3 million (2017: £3.1 million), based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages BMO Investment Business Limited (the "**Manager**") to manage its assets.

- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the company operates.

- Income from investments.
- Valuation and existence of investments.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the company in the period from 1 October 2017 to 30 September 2018.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matter	How our audit addressed the key audit matter
Income from investments	
Refer to page 39 (Report to the Audit and Management Engagement Committee), page 57 (Significant accounting policies) and page 59 (Notes to the Accounts). Dividend income from investments during the year ended 30 September 2018 was £13 million. Gains on investments during the same period were £6.8m. We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "**AIC SORP**"). This is because incomplete or inaccurate income could have a material impact on the company's net asset value and dividend cover. We also focused on the accuracy and occurrence of realised and unrealised gains and losses on the investment portfolio.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 2 on page 57 of the financial statements. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding revenue recognition. To test for accuracy, we tested dividend rates for dividends received from a sample of investments to independent third party sources. To test for completeness and occurrence, we tested that dividends recognised had been received in the year by agreeing dividends declared to independent third party sources for a sample of investment holdings. We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We also agreed the allocation of all special dividends to income or capital to independent third party sources. We also tested that gains or losses on investments held at fair value were appropriately recognised as realised or unrealised gains or losses. For realised gains or losses, we tested a sample of disposal proceeds to bank statements and re-calculated the gain recognised on disposal. For unrealised gains or losses, we tested the valuation of the portfolio at the year-end date and tested the reconciliation of opening to closing investments values. No material misstatements were identified by our testing which required reporting to those charged with governance.
Valuation and existence of investments	
Refer to page 39 (Report to the Audit and Management Engagement Committee), page 56 (Significant accounting policies) and page 63 (Notes to the Accounts). The investment portfolio at the year-end comprised listed equity investments valued at £341 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JP Morgan Chase Bank, N.A. No material misstatements were identified by our testing which required reporting to those charged with governance.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the Companies Act 2006 and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and testing of the Company's compliance with section 1158 in the current year. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive testing. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality
£3.3 million (2017: £3.1 million).
How we determined it
1% of net assets.
Rationale for benchmark applied
We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £164,000 (2017: £156,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.
Outcome
We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
Reporting obligation
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
Outcome
We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In accordance with our responsibilities under the Companies Act 2006, we report the following:

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 14 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 15 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "**Code**"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (Listing Rules)

Other code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 27, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on page 37 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In accordance with our responsibilities under the Companies Act 2006, we report the following:

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 41, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

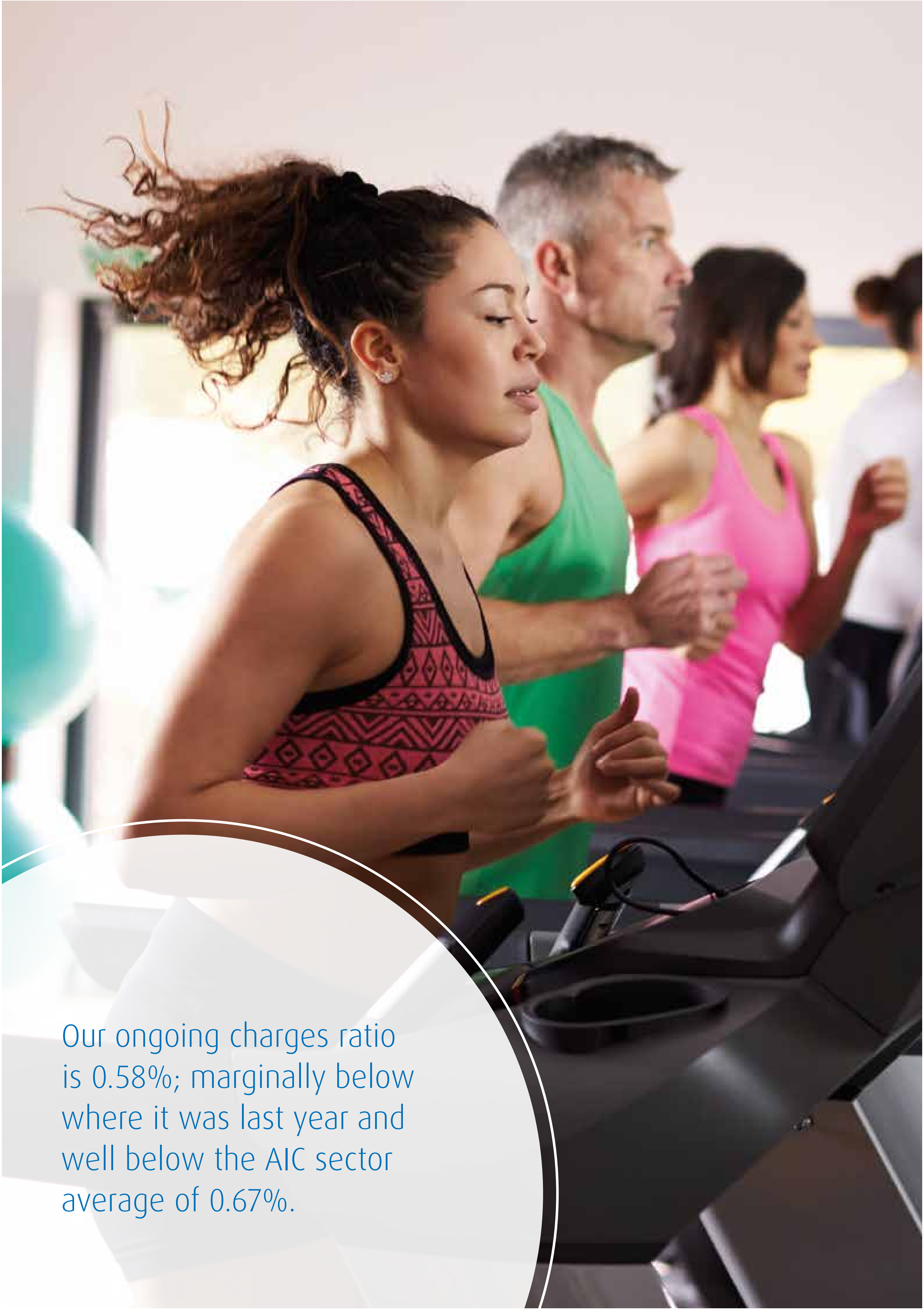
- certain disclosures of Directors' remuneration specified by law are not made; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Directors to audit the financial statements for the year ended 30 September 1993 and subsequent financial periods. The period of total uninterrupted engagement is 26 years, covering the years ended 30 September 1993 to 30 September 2018.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 December 2018



Our ongoing charges ratio is 0.58%; marginally below where it was last year and well below the AIC sector average of 0.67%.

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	2018 Revenue £'000s	2018 Capital £'000s	2018 Total £'000s	2017 Revenue £'000s	2017 Capital £'000s	2017 Total £'000s
	10	**Gains on investments**	–	6,841	6,841	–	34,881	34,881
	18	**Foreign exchange gains/(losses)**	5	(6)	(1)	8	(7)	1
3		**Income**	13,143	–	13,143	12,767	–	12,767
4	18	**Management fee**	(688)	(688)	(1,376)	(637)	(637)	(1,274)
5	18	**Other expenses**	(519)	(11)	(530)	(499)	(19)	(518)
		Net return before finance costs and taxation	11,941	6,136	18,077	11,639	34,218	45,857
6	18	**Finance costs**	(223)	(223)	(446)	(283)	(283)	(566)
		Net return on ordinary activities before taxation	11,718	5,913	17,631	11,356	33,935	45,291
7		**Taxation on ordinary activities**	(8)	–	(8)	103	–	103
18	18	**Net return attributable to Shareholders**	11,710	5,913	17,623	11,459	33,935	45,394
8	8	**Return per share – pence**	11.70	5.90	17.60	11.71	34.69	46.40

The total column of this statement is the profit and loss account of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the AIC.

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

A statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The notes on pages 55 to 72 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 30 September 2018

Notes		Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	Balance at 30 September 2017	24,634	117,822	4,146	4,434	149,140	12,287	312,463
	Movements during the year ended 30 September 2018							
9	**Dividends paid**	–	–	–	–	–	(10,803)	(10,803)
14,15	**Ordinary shares issued**	631	7,558	–	–	–	–	8,189
	Net return attributable to Shareholders	–	–	–	–	5,913	11,710	17,623
	Balance at 30 September 2018	25,265	125,380	4,146	4,434	155,053	13,194	327,472

for the year ended 30 September 2017

Notes		Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	Balance at 30 September 2016	24,196	112,997	4,146	4,434	115,205	11,049	272,027
	Movements during the year ended 30 September 2017							
9	**Dividends paid**	–	–	–	–	–	(10,221)	(10,221)
14,15	**Ordinary shares issued**	438	4,825	–	–	–	–	5,263
	Net return attributable to Shareholders	–	–	–	–	33,935	11,459	45,394
	Balance at 30 September 2017	24,634	117,822	4,146	4,434	149,140	12,287	312,463

The notes on pages 55 to 72 form an integral part of the financial statements.

Balance Sheet

Notes	at 30 September	2018 £'000s	2017 £'000s
	Fixed assets		
10	**Investments**	341,034	326,719
	Current assets		
11	**Debtors**	1,582	1,215
	Cash and cash equivalents	5,246	4,962
	Total current assets	6,828	6,177
	Current liabilities		
12	**Creditors: amounts falling due within one year**	(390)	(433)
13	**Loans**	(20,000)	(20,000)
	Total current liabilities	(20,390)	(20,433)
	Net current liabilities	(13,562)	(14,256)
	Net assets	327,472	312,463
	Capital and reserves		
14	**Share capital**	25,265	24,634
15	**Share premium account**	125,380	117,822
16	**Capital redemption reserve**	4,146	4,146
17	**Special reserve**	4,434	4,434
18	**Capital reserves**	155,053	149,140
18	**Revenue reserve**	13,194	12,287
	Total Shareholders' funds	327,472	312,463
19	**Net asset value per ordinary share – pence**	324.04	317.11

The notes on pages 55 to 72 form an integral part of the financial statements.

The Financial Statements on pages 51 to 72 were approved by the Board on 5 December 2018 and signed on its behalf by

Steven Bates, Chairman

Statement of Cash Flows

Notes	for the year ended 30 September	2018 £'000s	2017 £'000s
20	Cash flows from operating activities before dividends received and interest paid	(1,830)	(1,583)
	Dividends received	12,664	12,674
	Interest paid	(450)	(569)
	Cash flows from operating activities	10,384	10,522
	Investing activities		
	Purchase of investments	(42,351)	(34,559)
	Sales of investments	34,877	39,315
	Other capital charges	(11)	(19)
	Cash flows from investing activities	(7,485)	4,737
	Cash flows before financing activities	2,899	15,259
	Financing activities		
9	Equity dividends paid	(10,803)	(10,221)
14,15	Net proceeds from issuance of new shares	8,189	5,263
13	Drawdown of loans	20,000	–
13	Repayment of loans	(20,000)	(5,000)
	Cash flows from financing activities	(2,614)	(9,958)
	Net movement in cash and cash equivalents	285	5,301
	Cash and cash equivalents at the beginning of the year	4,962	(340)
	Effect of movement in foreign exchange	(1)	1
	Cash and cash equivalents at the end of the year	5,246	4,962
	Represented by:		
	Cash at bank	5,246	4,962

The notes on pages 55 to 72 form an integral part of the financial statements.

Notes on the Accounts

1. General information

BMO Capital and Income Investment Trust PLC is an investment company incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company registration number is 02732011 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

The Company conducts its affairs so as to qualify as an investment trust under the provisions of section 1158 of the Corporation Tax Act 2010 ("**CTA**"). The Company has complied at all times with the conditions set out in section 1158 of the CTA and intends to continue to do so. Such qualification exempts the Company from UK corporation tax on gains realised on its portfolio of fixed asset investments and derivatives.

There have been no significant changes to the accounting policies during the year ended 30 September 2018, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

As referred to in the Directors' Report on page 28 and note 21 on the accounts, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) Basis of accounting

The accounts of the Company have been prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments, and derivative financial instruments at fair value, and in accordance with the Companies Act 2006, Financial Reporting Standards (FRS) 102 applicable in the United Kingdom and with the SORP issued in November 2014 and updated in February 2018. There has been no impact on the basis of accounting as a result of this update.

All of the Company's operations are of a continuing nature. The functional and reporting currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with the SORP, the Income Statement has been analysed between a revenue account (dealing with items of a revenue nature) and a capital account (relating to items of a capital nature). Revenue returns include, but are not limited to, dividend income and operating expenses and tax (insofar as the expenses and tax are not allocated to capital, as described in note 2(c) below). Net revenue returns are allocated via the revenue account to the revenue reserve, out of which four interim dividend payments are made. Capital returns include, but are not limited to, profits and losses on fixed asset investments and derivatives and currency profits and losses on cash and borrowings. Net capital returns are allocated via the capital account to the capital reserves. Dividends paid to Shareholders are shown in the Statement of Changes in Equity.

The Company has not prepared consolidated accounts. The Company's only subsidiary, FIGIT, had been dormant since 2005 and was liquidated on 28 March 2018. During the period, all amounts represented intercompany balances and were not material to these accounts.

2. Significant accounting policies (continued)

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year ended 30 September 2018 and the prior year.

(i) Financial instruments

Financial instruments include fixed asset investments, derivative assets and liabilities, cash and short-term deposits, debtors and creditors. Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the Company can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly. The Company held no such securities during the year under review.

Level 3 – External inputs are unobservable for the asset or liability. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. Included within this category are unquoted investments.

(ii) Fixed asset investments and derivative financial instruments

As an investment trust, the Company measures its fixed asset investments at fair value through profit or loss and treats all transactions on the realisation and revaluation of investments held as fixed assets, as transactions on the Capital Account. Purchases are recognised on the relevant trade date, inclusive of expenses which are incidental to their acquisition. Sales are also recognised on the trade date, after deducting expenses incidental to the sales.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar instruments. Where no reliable fair value can be estimated, investments are carried at cost or, where subsequently revalued, at their previous carrying amount less any provision for impairment.

Derivative financial instruments comprising forward exchange contracts and options are accounted for as financial assets or liabilities. Where it can be demonstrated that the derivative is connected to the maintenance or enhancement of the Company's investments, the change in fair value is recognised as capital and shown in the Capital column of the Income Statement. Where an option is written in the expectation that it will not be exercised, or that any losses on exercise will be outweighed by the value of premiums received, the premiums are recognised in the Revenue column of the Income Statement. The value of the premium is usually the option's initial fair value and is recognised evenly over the life of the option. Subsequent changes to fair value are adjusted in the Capital column of the Income Statement such that the total amounts recognised within Revenue and Capital represent the change in fair value of the option.

(iii) Debt instruments

Loans and overdrafts are recorded initially at proceeds received, less direct issue costs, and subsequently measured at amortised cost using the effective interest method.

Finance charges, including interest, are accrued using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period. See (vi) below for allocation of finance charges within the Income Statement.

2. Significant accounting policies (continued)

(iv) Foreign currency

Monetary assets, monetary liabilities and equity investments denominated in a foreign currency are expressed in sterling at rates of exchange ruling at the Balance Sheet date. Purchases and sales of investment securities, dividend income, interest income and expenses are translated at the rates of exchange prevailing at the respective dates of such transactions.

Foreign exchange profits and losses on fixed asset investments are included within the changes in fair value in the capital account. Foreign exchange profits and losses on other currency balances are separately credited or charged to the capital account except where they relate to revenue items when they are credited or charged to the revenue account.

(v) Income

Income from equity shares is brought into the revenue account (except where, in the opinion of the Directors, its nature indicates it should be recognised within the capital account) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Dividends are accounted for in accordance with FRS 102 on the basis of income actually receivable. Dividends from overseas companies are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital account.

Underwriting commission is recognised when the Company's right to receive payment is established. Deposit interest is accounted for on an accruals basis.

(vi) Expenses, including finance charges

Expenses, inclusive of associated value added tax (VAT), are charged to the revenue account of the Income Statement, except as noted below:

- expenses incidental to the acquisition or disposal of fixed asset investments which are included within the cost of the investments or deducted from the disposal proceeds of investments and are thus charged to capital reserve – arising on investments sold via the capital account; and
- 50% of management fees and 50% of finance costs are allocated to capital reserve – arising on investments sold via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company.
- all expenses are accounted for on an accruals basis.

(vii) Taxation

Deferred tax is provided for in accordance with FRS102 on all timing differences that have been enacted at the Balance Sheet date and are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the "marginal" basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

(viii) Dividends payable

Dividends are included in the financial statements on the date on which they are declared.

2. Significant accounting policies (continued)

(ix) Share premium account (non-distributable reserve)

The following is accounted for in this reserve:

– proceeds of shares issued, net of the 25p nominal value of the shares and after deducting any associated costs of issuance.

(x) Capital redemption reserve (non-distributable reserve)

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve on the trade date.

(xi) Special reserve (distributable reserve)

The following are accounted for in this reserve:

– costs of purchasing share capital for cancellation; and
– costs of purchasing or selling share capital to be held in, or sold out of, treasury.

(xii) Capital reserves (distributable reserves)

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

– gains and losses on the disposal of fixed asset investments and derivatives;
– settled foreign exchange differences of a capital nature;
– costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company; and
– other capital charges and credits charged or credited to this account in accordance with the above policies.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

– increases and decreases in the valuation of fixed asset investments and derivatives held at the year-end; and
– unsettled foreign exchange valuation differences of a capital nature.

(xiii) Use of judgements and estimates

The presentation of the financial statements in accordance with accounting standards require the Board to make judgements, estimates and assumptions that effect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. Actual results may differ from these estimates.

There has been no significant judgement or estimate in the preparation of the financial statements to the year to 30 September 2018.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits may nevertheless still be considered to be wholly revenue in nature unless evidence suggests otherwise. The value of dividends received treated as capital in nature is disclosed in note 18 on the Accounts.

3. Income

	2018 £'000s	2017 £'000s
Income from investments		
Dividends	13,044	12,699
	13,044	12,699
Other income		
Interest on cash and cash equivalents	39	3
Interest on overseas taxation recovered	–	19
Underwriting commission	60	46
	99	68
Total income	13,143	12,767

As at 30 September 2018 there was no outstanding sub-underwriting contracts (2017: none outstanding).

4. Management fee

			2018			2017
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Management fee	688	688	1,376	637	637	1,274

The Manager provides investment management and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.1% of the funds under management. The management agreement may be terminated upon six months' notice given by either party. The Company may terminate this agreement upon 60 days' written notice to the Manager if there is a change of control of the Manager, provided such notice is served within six months of the said change of control. Management fees have been allocated 50% to capital reserve in accordance with the Company's accounting policies.

5. Other expenses

			2018			2017
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
– for audit services[1]	36	–	36	34	–	34
– for other services[2]	–	9	9	–	15	15
Directors' fees for services to the Company[3]	134	–	134	126	–	126
Directors' and Officers' liability insurance	7	–	7	7	–	7
Loan commitment fee	–	–	–	36	–	36
Loan arrangement fee	24	–	24	–	–	–
Marketing	106	–	106	93	–	93
Professional fees	48	–	48	42	–	42
Printing and postage	58	–	58	52	–	52
Registrars' fees	25	–	25	31	–	31
Subscriptions and listing fees	46	–	46	45	–	45
Sundry expenses	35	2	37	33	4	37
Total other expenses	519	11	530	499	19	518

All expenses are stated gross of irrecoverable VAT, where applicable.
(1) Total Auditors' remuneration for audit services, exclusive of VAT amounts is £29,840 (2017: £29,110).
(2) Total Auditors' remuneration for other services exclusive of VAT amounts is £7,400 (2017: £12,460) for other services in connection with the liquidation of FIGIT.
(3) See the Directors' Remuneration Report on page 35.

6. Finance costs

			2018			2017
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Loan interest	222	222	444	277	277	554
Overdraft interest	1	1	2	6	6	12
Total finance cost	223	223	446	283	283	566

Finance costs have been allocated 50% to capital reserve in accordance with the Company's accounting policies.

7. Taxation on ordinary activities

(a) Analysis of tax charge/(credit) for the year

	2018 Revenue £'000s	2018 Capital £'000s	2018 Total £'000s	2017 Revenue £'000s	2017 Capital £'000s	2017 Total £'000s
Overseas taxation	8	–	8	(103)	–	(103)
Total taxation charge/(credit) (see note 7(b))	8	–	8	(103)	–	(103)

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK (19%) (2017: 19.5%). Factors affecting the taxation charge/(credit) are set out below.

(b) Factors affecting the current tax charge/(credit) for the year

	2018 Revenue £'000s	2018 Capital £'000s	2018 Total £'000s	2017 Revenue £'000s	2017 Capital £'000s	2017 Total £'000s
Net return on ordinary activities before taxation	11,718	5,913	17,631	11,356	33,935	45,291
Return on ordinary activities multiplied by the effective rate of corporation tax of 19% (2017: 19.5%)	2,226	1,123	3,349	2,214	6,617	8,831
Effects of:						
Dividends*	(2,478)	–	(2,478)	(2,476)	–	(2,476)
Expenses not utilised in the year	252	176	428	240	179	419
Expenses not deductible for tax purposes	–	–	–	22	4	26
Overseas taxation not relieved	8	–	8	6	–	6
Overseas taxation recovered	–	–	–	(109)	–	(109)
Capital returns*	–	(1,299)	(1,299)	–	(6,800)	(6,800)
Total taxation (see note 7(a))	8	–	8	(103)	–	(103)

* These items are not subject to corporation tax in an investment trust company.

The potential deferred tax asset of £3.8 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2018 (2017: £3.5 million) has not been recognised as it is unlikely that these expenses will be utilised.

8. Return per share

	2018			2017		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Net return attributable to equity Shareholders – £'000s	**11,710**	**5,913**	**17,623**	11,459	33,935	45,394
Return per share – pence	**11.70**	**5.90**	**17.60**	11.71	34.69	46.40

Both the revenue and capital returns per share are based on a weighted average of 100,117,008 ordinary shares in issue during the year (2017: 97,835,501).

9. Dividends

Dividends on ordinary shares	Register date	Payment date	**2018 £'000s**	2017 £'000s
Fourth of four interims for the year ended 30 September 2016 of 3.25p per share	09 Dec 16	30 Dec 16	**–**	3,158
First of four interims for the year ending 30 September 2017 of 2.40p per share	03 Mar 17	31 Mar 17	**–**	2,347
Second of four interims for the year ending 30 September 2017 of 2.40p per share	02 Jun 17	30 Jun 17	**–**	2,351
Third of four interims for the year ended 30 September 2017 of 2.40p per share	01 Sep 17	29 Sep 17	**–**	2,365
Fourth of four interim for the year ended 30 September 2017 of 3.45p per share	15 Dec 17	27 Dec 17	**3,413**	–
First of four interims for the year ending 30 September 2018 of 2.45p per share	09 Mar 18	29 Mar 18	**2,445**	–
Second of four interims for the year ending 30 September 2018 of 2.45p per share	08 Jun 18	29 Jun 18	**2,469**	–
Third of four interims for the year ended 30 September 2018 of 2.45p per share	31 Aug 18	28 Sep 18	**2,476**	–
			10,803	10,221

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2018 of 3.60 pence per share, payable on 28 December 2018 to all Shareholders on the register at close of business on 14 December 2018. The fourth interim dividend has not been included as a liability in these financial statements. The dividends paid and payable in respect of the financial year ended 30 September 2018, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2018 £'000s
Net revenue return attributable to Shareholders	**11,710**
First of four interims for the year ending 30 September 2018 of 2.45 pence per share	**(2,445)**
Second of four interims for the year ended 30 September 2018 of 2.45 pence per share	**(2,469)**
Third of four interims for the year ended 30 September 2018 of 2.45 pence per share	**(2,476)**
Fourth of four interim dividends for the year ended 30 September 2018 of 3.60 pence per share(1)	**(3,659)**
Transferred to revenue reserve	**661**

1. Based on shares in issue and entitled to dividend at 30 November 2018.

10. Investments

	Level 1[1] £'000s	Level 3[1] £'000s	2018 Total £'000s	Level 1[1] £'000s	Level 3[1] £'000s	2017 Total £'000s
Cost brought forward	217,054	1,795	218,849	217,260	1,795	219,055
Gains/(losses) brought forward	109,665	(1,795)	107,870	79,334	(1,795)	77,539
Valuation of investments brought forward	326,719	–	326,719	296,594	–	296,594
Transfer to level 3[2]	(983)	983	–	–	–	–
Purchases at cost	42,351	–	42,351	34,559	–	34,559
Sales proceeds	(34,877)	–	(34,877)	(39,315)	–	(39,315)
Gains/(losses) on investments sold in year	2,965	(983)	1,982	4,550	–	4,550
Gains on investments held at year end	4,859	–	4,859	30,331	–	30,331
Valuation of investments carried forward	341,034	–	341,034	326,719	–	326,719
Cost at 30 September	226,510	1,795	228,305	217,054	1,795	218,849
Gains/(losses) at 30 September	114,524	(1,795)	112,729	109,665	(1,795)	107,870
Valuation of investments at 30 September	341,034	–	341,034	326,719	–	326,719

(1) The hierarchy of investments is described in note 2(c)(i) and below
Level 1 includes investments listed on any recognised stock exchange or quoted on AIM in the UK.
Level 3 includes any unquoted investments.

(2) Transferred and written down during the year.

The investment portfolio is set out on page 25.

Investment in subsidiary

The Company's subsidiary, FIGIT, was dissolved on 28 March 2018.

11. Debtors

	2018 £'000s	2017 £'000s
Accrued income	1,524	1,152
Prepayments	21	30
Overseas taxation recoverable	37	33
	1,582	1,215

12. Creditors: amounts falling due within one year

	2018 £'000s	2017 £'000s
Management fee	347	333
Loan interest	4	8
Accruals	39	92
	390	433

13. Loans

	2018 £'000s	2017 £'000s
Sterling loans: falling due within one year	20,000	20,000

On 20 March 2018 the Company entered into a new multicurrency revolving facility agreement of up to £30 million with Scotiabank (Ireland) ("**Scotiabank**"), expiring on 26 March 2021. On 28 March 2018 the Company drew down £20 million from the Scotiabank facility and repaid the existing £20 million fixed rate borrowing with State Street Bank and Trust Company. The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates.

14. Share capital

	2018 Issued and fully paid		2017 Issued and fully paid	
Equity share capital	Number	£'000s	Number	£'000s
Ordinary shares of 25 pence each				
Balance brought forward	98,534,268	24,634	96,784,268	24,196
Ordinary shares issued	2,525,000	631	1,750,000	438
Balance at 30 September	101,059,268	25,265	98,534,268	24,634

Since 30 September 2018 a further 575,000 ordinary shares have been issued.

15. Share premium account

	2018 £'000s	2017 £'000s
Balance brought forward	117,822	112,997
Premium on issue of shares	7,558	4,825
Balance carried forward	125,380	117,822

16. Capital redemption reserve

	2018 £'000s	2017 £'000s
Balance brought forward and carried forward	4,146	4,146

17. Special reserve

	2018 £'000s	2017 £'000s
Balance brought forward and carried forward	4,434	4,434

18. Other reserves

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserve – total £'000s	Revenue reserve £'000s
Movements in the year				
Gains on investments sold in year	1,982	–	1,982	–
Gains on investments held at year end	–	4,859	4,859	–
Foreign exchange losses	(6)	–	(6)	–
Management fee (see note 4)	(688)	–	(688)	–
Finance costs (see note 6)	(223)	–	(223)	–
Other capital charges (see note 5)	(11)	–	(11)	–
Revenue return	–	–	–	11,710
Return attributable to Shareholders	1,054	4,859	5,913	11,710
Dividends paid in year (see note 9)				(10,803)
Balance at 30 September 2017	41,270	107,870	149,140	12,287
Balance at 30 September 2018	42,324	112,729	155,053	13,194

Included within the capital reserve movement for the year are £145,000 of transaction costs including stamp duty on purchase of investments (2017: £147,000) and £21,000 of transaction costs on sales of investments (2017: £41,000).

There were no dividends recognised as capital (2017: £312,000).

19. Net asset value per ordinary share

	2018	2017
Net asset value per share – pence	324.04	317.11
Net assets attributable at the year end – (£'000s)	327,472	312,463
Number of ordinary shares in issue at the year end	101,059,268	98,534,268

20. Reconciliation of total return before taxation to net cash flows from operating activities

	2018 £'000s	2017 £'000s
Net return on ordinary activities before taxation	**17,631**	45,291
Adjustments for non-cash flow items, dividend income and interest expense:		
Gains on investments	**(6,841)**	(34,881)
Foreign exchange movements	**1**	(1)
Non-operating expenses of a capital nature	**11**	19
Dividend income receivable	**(13,044)**	(12,699)
Interest payable	**446**	566
Decrease/(increase) in other debtors	**5**	(3)
(Decrease)/increase in other creditors	**(39)**	16
	(19,461)	(46,983)
Adjustment for other cash flow items:		
Overseas taxation recovered	**-**	109
Net cash outflows from operating activities (before dividends received and interest paid)	**(1,830)**	(1,583)

21. Going concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowing is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager and the Board. The Directors believe that: the Company's objective and policy continue to be relevant to investors, the Company operates within a robust regulatory environment and the Company has sufficient resources and arrangements to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern.

22. Financial Risk Management

The Company is an investment company, listed on the London Stock Exchange, and conducts its affairs so as to qualify in the United Kingdom ("**UK**") as an investment trust under the provisions of section 1158 of the CTA. In so qualifying, the Company is exempted in the UK from corporation tax on capital gains on its portfolio of investments.

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. The Company can also have exposure to leading overseas companies, with the value of the non-UK portfolio not exceeding 10% of the Company's gross assets. In pursuing this objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management, as set out in detail in the Strategic Report and Directors' Report. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 on the accounts. The policies are in compliance with UK accounting standards and best practice. The Company does not make use of hedge accounting rules.

22. Financial Risk Management (continued)

(a) Market risks
The fair value of equity and other financial securities including derivatives held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

As up to 10% of the Company's gross assets can be invested in non-UK assets, other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company does not normally hold significant cash balances. It is not the Board's general policy to borrow in currencies other than sterling and euros, any such borrowings would be limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in foreign exchange rates.

A description of derivative positions, which are also exposed to market price changes, together with the Manager's and Board's strategies for using these positions for efficient portfolio management, is contained in this note, under "Other market risk exposures", in the Manager's Report and in the Strategic Report. The exposure on the Company's positions at 30 September 2018 amounted to £nil (30 September 2017 – £nil).

Gearing may be short or long-term in foreign currencies and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

Income earned in foreign currencies is converted to sterling on receipt. The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency Exposure
The principal foreign currency to which the Company was exposed during the year was the euro. As stated above, the exposure to investments listed in currencies other than sterling cannot exceed 10% of the Company's gross assets.

The exchange rates for the euro applying against sterling at 30 September and the average rates during the year ended 30 September were as follows:

	At 30 September 2018	2018 Average for the year	At 30 September 2017	2017 Average for the year
Euro	1.123	1.130	1.135	1.150

22. Financial Risk Management (continued)

Based on the financial assets and liabilities held and the exchange rates applying at the Balance Sheet date, a weakening or strengthening of sterling against the euro by 10% would have the following approximate effect on returns attributable to Shareholders and on the NAV per share.

Weakening of sterling by 10% against the euro	2018 £'000s	2017 £'000s
Net revenue return attributable to Shareholders	4	32
Net capital return attributable to Shareholders	964	954
Net total return attributable to Shareholders	968	986
NAV per share – pence	0.96	1.00

Strengthening of sterling by 10% against the euro	2018 £'000s	2017 £'000s
Net revenue return attributable to Shareholders	(3)	(21)
Net capital return attributable to Shareholders	(788)	(780)
Net total return attributable to Shareholders	(791)	(801)
NAV per share – pence	(0.78)	(0.81)

These effects are representative of the Company's activities although the level of the Company's exposure to the euro fluctuates in accordance with the investment and risk management processes. As this analysis only reflects financial assets and liabilities, it does not include the impact of currency exposures on the management fee.

The fair values of the Company's assets and liabilities at 30 September by currency are shown below:

2018	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditors – other £'000s	Short-term creditors – loans £'000s	Net monetary (liabilities)/assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,542	5,246	(390)	(20,000)	(13,602)	332,401	318,799
Other	40	–	–	–	40	8,633	8,673
Total	1,582	5,246	(390)	(20,000)	(13,562)	341,034	327,472

2017	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditor – other £'000s	Short-term creditors – loans £'000s	Net monetary (liabilities)/assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,139	4,962	(433)	(20,000)	(14,332)	318,213	303,881
Other	76	–	–	–	76	8,506	8,582
Total	1,215	4,962	(433)	(20,000)	(14,256)	326,719	312,463

22. Financial Risk Management (continued)

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate movements at 30 September was:

	Within one year £'000s	More than one year £'000s	2018 Net total £'000s	Within one year £'000s	More than one year £'000s	2017 Net total £'000s
Exposure to floating rates:						
Cash and cash equivalents	5,246	–	5,246	4,962	–	4,962
Loans	(20,000)	–	(20,000)	–	–	–
Exposure to fixed rates:						
Loans	–	–	–	(20,000)	–	(20,000)
Net exposure	(14,754)	–	(14,754)	(15,038)	–	(15,038)
Minimum net exposure during the year			(11,904)			(13,694)
Maximum net exposure during the year			(20,378)			(23,772)

Exposures vary throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management processes.

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates.

The Company's total returns and net assets are sensitive to changes in interest rates on cash and borrowings.

Based on the financial assets and liabilities held and the interest rates ruling at each balance sheet date, a decrease or increase in interest rates of 2% would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV per share:

	2018 Increase in rate £'000s	2018 Decrease in rate £'000s	2017 Increase in rate £'000s	2017 Decrease in rate £'000s
Revenue return	(95)	95	99	(99)
Capital return	(200)	200	–	–
Total return	(295)	295	99	(99)
NAV per share – pence	(0.29)	0.29	0.10	(0.10)

22. Financial Risk Management (continued)

Other market risk exposures

The portfolio of investments, valued at £341,034,000 at 30 September 2018 (2017: £326,719,000) is exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in the Investment Portfolio by Sector and List of Investments on pages 22 to 25.

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors, including the management charge, remain constant, a decrease or increase in the fair value of the portfolio in sterling terms by 20% would have had the following approximate effects on the net capital return attributable to Shareholders and on the NAV per share:

	2018 Increase in value £'000s	2018 Decrease in value £'000s	2017 Increase in value £'000s	2017 Decrease in value £'000s
Capital return	**68,207**	**(68,207)**	65,344	(65,344)
NAV per share – pence	**67.49**	**(67.49)**	66.30	(66.30)

(b) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (73 at 30 September 2018 and 77 at 30 September 2017); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see pages 22 to 25); and the existence of an ongoing loan and overdraft facility agreement. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a £30 million unsecured revolving floating rate credit facility available until March 2021.

The contractual maturities of the financial liabilities at each Balance Sheet date, based on the earliest date on which payment can be required, were as follows:

2018	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities – others	**390**	**–**	**–**	**390**
Short-term liabilities – loans	**20,000**	**–**	**–**	**20,000**
	20,390	**–**	**–**	**20,390**

2017	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities – other	433	–	–	433
Short-term liabilities – loans	–	20,000	–	20,000
	433	20,000	–	20,433

22. Financial Risk Management (continued)

(c) Credit risk and counterparty exposure

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the Company has delivered. Such transactions must be settled on the basis of delivery against payment (except where local market conditions do not permit).

Responsibility for the approval, limit setting and monitoring of counterparties is delegated to the Manager and a list of approved counterparties is periodically reviewed by the Board. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. The rate of default in the past has been negligible. Cash and deposits are held with approved banks.

The Company has an ongoing contract with its custodian for the provision of custody services. The contract is reviewed regularly. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Company's Depositary, JP Morgan Europe Limited, has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk through regular meetings with the management of BMO GAM (including the Fund Manager) and with BMO's Risk Management function. In reaching its conclusions, the Board also reviews the Manager's parent group's annual audit and assurance faculty report.

In summary, compared to the amounts included in the balance sheet, the maximum exposure to credit risk was as follows:

Current liabilities	2018 Balance sheet £'000s	2018 Maximum exposure £'000s	2017 Balance sheet £'000s	2017 Maximum exposure £'000s
Derivative financial instruments	–	–	–	–

None of the Company's financial liabilities is past its due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof. Borrowings under loan and overdraft facilities do not have a value materially different from their capital repayment amount.

(e) Capital risk management

The objective of the Company is stated as being to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the Shareholders in general meeting; borrow monies in the short and long term; and pay dividends to Shareholders out of current year revenue earnings as well as out of brought forward revenue reserves.

Changes to ordinary share capital are set out in note 14 on the accounts. Dividend payments are set out in note 9 on the accounts. Details of loans are set out in note 13 on the accounts.

23. Related party transactions

The following are considered related parties: the Board of Directors (the "**Board**"), including their spouses and dependents, and the Manager. There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 36 and as set out in note 5 on the accounts; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 35. There are no outstanding balances with the Board at the year end. Transactions between the Company and the Manager are detailed in note 4 on management fees and the outstanding balance is detailed in note 12.

24. AIFMD

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, BMO Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO GAM on request.

The Company's maximum and average actual leverage levels at 30 September 2018 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	104%	104%

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's articles of association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

25. Securities financing transactions ("SFR")

The Company has not, in the year to 30 September 2018 (2017: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

Ten Year Record (unaudited)

All Company data are based on assets, liabilities, earnings and expenses as reported in accordance with the Company's accounting policies and is unaudited but derived from the audited Accounts or specified third party data providers.

Assets
at 30 September

£'000s	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total assets	158,201	180,684	191,427	182,290	203,079	244,708	251,387	256,876	297,027	332,463	**347,472**
Loans	–	14,000	14,000	15,000	7,967	20,000	20,000	20,000	25,000	20,000	**20,000**
Net assets	158,201	166,684	177,427	167,290	195,112	224,708	231,387	236,876	272,027	312,463	**327,472**

Net Asset Value (NAV)
at 30 September

pence	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAV per share – pence	200.4	199.3	207.9	195.0	222.0	251.4	251.8	250.5	281.1	317.1	**324.0**

Total Returns(1)

(rebased to 100 at 30 September 2008)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAV per share	100.0	105.0	114.3	111.6	132.4	155.9	162.0	167.6	195.6	228.6	**241.2**
Middle market price per share	100.0	107.1	120.3	120.3	137.2	159.7	169.3	174.5	203.5	235.6	**248.0**
FTSE All-Share Index	100.0	110.8	124.6	119.2	139.8	166.2	176.3	172.3	201.3	225.3	**238.5**

Returns excluding dividends(1)

(rebased to 100 at 30 September 2008)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAV per share	100.0	99.5	103.7	97.3	110.8	125.4	125.6	125.0	140.3	158.2	**161.7**
Middle market price per share	100.0	101.3	109.1	104.8	114.8	128.5	131.3	130.3	146.1	163.4	**166.4**
FTSE All-Share Index	100.0	106.1	115.5	106.9	120.7	138.7	142.3	134.3	151.2	163.1	**166.2**

(1) See Alternative Performance Measures page 80 for explanation

Share Price
at 30 September

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Middle market price per share – pence	196.5	199.0	214.3	206.0	225.5	252.5	258.0	256.0	287.0	321.0	**327.0**
(Discount)/premium to NAV – %	(2.0)	(0.1)	3.1	5.2	1.6	0.4	2.5	2.2	2.1	1.2	**0.9**
Share price high – pence	249.0	202.5	221.3	232.0	227.0	269.0	271.8	277.0	289.8	327.5	**350.0**
Share price low – pence	188.5	140.0	181.0	199.0	195.0	222.8	248.0	233.8	234.8	274.0	**309.5**

Revenue
for the year ended 30 September

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Available for ordinary shares (£'000s)	7,608	7,210	6,755	8,341	8,715	9,941	9,575	9,475	10,785	11,459	**11,710**
Earnings per share – pence	9.69	8.85	8.02	9.75	10.01	11.26	10.56	10.10	11.26	11.71	**11.70**
Dividends per share – pence	8.00(2)	8.25(2)	8.45	8.65	9.00	9.45	9.85	10.10	10.30	10.65	**10.95**

Revenue Performance

(rebased at 30 September 2008)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Earnings per share	100.0	91.3	82.8	100.6	103.3	116.2	109.0	104.2	116.2	120.8	**120.7**
Dividends per share	100.0	103.1	105.6	108.1	112.5	118.1	123.1	126.3	128.8	133.1	**136.9**
CPI	100.0	102.2	105.6	110.3	113.4	116.3	118.0	118.0	118.8	122.0	**125.0**

Cost of running the Company (TER/ongoing charges)(1)

for the year ended 30 September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expressed as a percentage of average net assets:											
Ongoing charges(3)	0.70	0.88	0.88	0.82	0.80	0.62	0.66	0.64	0.64	0.59	**0.58**

Gearing(1)

at 30 September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net gearing %	0.24	7.60	7.05	9.08	1.22	3.81	4.43	10.32	9.32	4.81	**4.51**

(1) See Alternative Performance Measures page 80 for explanation
(2) Excludes special dividend of 0.40 pence in 2008 and 2009
(3) Prior to 2011 calculated as TER

Notice of Annual General Meeting

Notice is hereby given that the twenty sixth Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Tuesday 12 February 2019 at 11.30 a.m. for the following purposes:

Ordinary resolutions

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2018 together with the Independent Auditors' report thereon.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2018.
3. To re-elect Clare Dobie as a Director.
4. To re-elect Jane Lewis as a Director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
6. To authorise the Audit and Management Engagement Committee to determine the remuneration of the auditors.
7. To approve the Company's dividend policy with regard to quarterly payments as set out on page 27 of the Report and Accounts 2018.
8. THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being "**relevant securities**") up to an aggregate nominal amount of £2,540,750 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2020 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**"); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special resolutions

To consider and, if thought fit, pass the following resolutions as special resolutions:

9. THAT, subject to the passing of Resolution 8 set out above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority given by the said Resolution 8 above for cash, and/or to sell equity securities which are held by the Company in treasury, during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2020 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**") up to an aggregate nominal amount of £2,540,750, in each case as if Section 561(1) of the Act did not apply to any such allotment or transfer; save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.
10. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("**ordinary shares**") on such terms and in such manner as the Directors may from time to time determine, provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 15,234,000;
    (b) the minimum price which may be paid for an ordinary share shall be 25 pence;
    (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
    (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
    (e) the authority hereby conferred shall expire on the date which is 15 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
    (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

By Order of the Board
BMO Investment Business Limited,
Secretary
5 December 2018

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.
2. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
3. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4094. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's Registrar by the deadline for receipt of Forms of Proxy.
4. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4094.

Meeting Location

5. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 11.30 a.m. on 5 February 2019. Alternatively, voting directions can be submitted electronically at eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 11.30 a.m. on 5 February 2019.
6. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "**Nominated Person**") should note that the provisions in notes 1, 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
7. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 8 February 2019 (the "**Specified Time**") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting 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.
9. 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 instruction, as described in the CREST Manual (available via euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is 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 issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer'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.
10. CREST members and, where applicable, their CREST sponsors or voting service provider(s) 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (euroclear.com/CREST).

11. 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 (as amended).
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or
    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.
14. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
15. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
    (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
    (b) if the answer has already been given on a website in the form of an answer to a question; or
    (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. As at 30 November 2018, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 101,634,268 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 30 November 2018 were 101,634,268. No shares are held in Treasury.
17. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 30 November 2018 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at bmocapitalandincome.com.
18. Copies of the letters of appointment between the Company and its Directors; a copy of the articles of association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.
19. No Director has a service agreement with the Company.
20. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
    (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.
21. Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 31 December 2018, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request

Information for Shareholders

Net asset value and share price

The Company's net asset value per share is released daily, on the working day following the calculation date, to the London Stock Exchange. The current share price of BMO Capital and Income Investment Trust PLC is shown in the investment trust section of the stock market page in most leading newspapers, usually under "BMO Capital and Income".

Performance information

Information on the Company's performance is provided in the half-yearly and final reports which are sent to Shareholders in June and December respectively. More up-to-date performance information is available on the Internet at bmocapitalandincome.com. This website also provides a monthly update on the Company's geographic spread and largest holdings, along with comments from the Fund Manager.

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. Most UK resident individuals may realise net capital gains of up to £11,700 in the tax year ended 5 April 2019 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£34,500 in 2018–19 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The fourth interim dividend of 3.60 pence per share is payable on 28 December 2018. From April 2018 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

AIC

BMO Capital and Income Investment Trust PLC is a member of the AIC, which publishes a monthly statistical information service in respect of member companies. The publication also has details of ISA and other investment plans available. For further details, please contact the AIC on 020 7282 5555, or visit the website: theaic.co.uk

Electronic communications

Computershare provides a service to enable Shareholders to receive Shareholder correspondence electronically (including annual and half yearly financial reports) if they wish. If a Shareholder opts to receive documents in this way, paper documents will only be available on request. Shareholders who opt for this service will receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the Company's website where the documents can be viewed or printed. For more information, to view the terms and conditions and to register for this service, please visit Computershare's internet site at investorcentre.co.uk (you will need your Shareholder reference number which can be found on your share certificate or dividend confirmation).

Common reporting standards

Tax legislation requires investment fund companies to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities who have purchased shares in investment trusts. All new Shareholders, excluding those whose shares are held in CREST, who are entered onto the share register are sent a certification form for the purpose of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders gov.uk/government/publications/exchange-of-information-account-holders.

How to Invest

One of the most convenient ways to invest in BMO Capital and Income Investment Trust PLC is through one of the savings plans run by BMO.

BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2018/19 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*

You can invest up to £4,260 for the tax year 2018/19 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to an BMO JISA.

BMO Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,260 for the 2018/19 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

CHARGES

Annual management charges and other charges apply according to the type of plan.

ANNUAL ACCOUNT CHARGE

ISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

DEALING CHARGES

ISA: 0.2%

GIA/JIA/JISA: postal instructions £12, online instruction £8 per Trust.
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than two switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

For full details of our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website bmocapitalandincome.com/literature

HOW TO INVEST

To open a new BMO savings plan, apply online at **bmogam.com/apply**

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

NEW CUSTOMERS:

Call: **0800 136 420****
(8.30am – 5.30pm, weekdays)
Email: **info@bmogam.com**

EXISTING PLAN HOLDERS:

Call: **0345 600 3030****
(9.00am – 5.30pm, weekdays)
Email: **investor.enquiries@bmogam.com**
By post: **BMO Administration Centre**
PO Box 11114
Chelmsford CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargrea ves Lansdown, HSBC, Interactive Investor, LLoyds Bank, Selftrade, TD Direct Investing, The Share Centre.

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18.
**Calls may be recorded or monitored for training and quality purposes.

BMO | A part of BMO Financial Group

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ("**APMs**"). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Discount or Premium – the share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the net asset value ("**NAV**") per share of the Company. If the share price is lower than NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. The discount is shown as a percentage of the NAV per share. Shares trading at a price above NAV per share are deemed to be at a premium.

		30 September 2018 pence	30 September 2017 pence
Net Asset Value per share	(a)	**324.04**	317.11
Share price per share	(b)	**327.00**	321.00
(Discount) or Premium (c = (b-a)/b)	(c)	**0.9%**	1.2%

Gearing – this is the ratio of the borrowings of the Company to its net assets. Borrowings have a "prior charge" over the assets of a company, ranking before ordinary Shareholders in their entitlement to capital and/or income. They may include: preference shares; debentures; overdrafts and short and long-term loans from banks; and derivative contracts. If the Company has cash assets, these may be assumed either to net off against borrowings, giving a "net" or "effective" gearing percentage, or to be used to buy investments, giving a "gross" or "fully invested" gearing figure. Where cash assets exceed borrowings, the Company is described as having "net cash". The Company's maximum permitted level of gearing is set by the Board and is described within the Strategic Report and Directors' Report.

		30 September 2018 £'000	30 September 2017 £'000
Loan		**20,000**	20,000
Less Cash and cash equivalents		**5,246**	4,962
Total	(a)	**14,754**	15,038
Net Asset Value	(b)	**327,472**	312,463
Gearing (c = a/b)	(c)	**4.51%**	4.81%

Ongoing Charges – all operating costs that are payable by the Company, expressed as a proportion of the average net assets of the Company over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing shares.

Ongoing charges calculation		30 September 2018 £'000	30 September 2017 £'000
Management fees		**1,376**	1,274
Other expenses		**519**	499
Less loan commitment/arrangement fees		**(24)**	(36)
Broker fee		**12**	12
Total	(a)	**1,883**	1,749
Average daily net assets	(b)	**325,674**	295,024
Ongoing charges (c = a/b)	(c)	**0.58%**	0.59%

Total Return – the theoretical return to Shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV in the period. The dividends are assumed to have been re-invested in the form of shares or net asset, respectively, on the date on which the shares were quoted ex-dividend.

	Net asset value	Share price
NAV/Share Price per share at 30 September 2017 (pence)	**317.11**	**321.00**
NAV/Share Price per share at 30 September 2018 (pence)	**324.04**	**327.00**
Change in the year	**2.2%**	**1.9%**
Impact of dividend reinvestments	**3.3%**	**3.4%**
Total return for the year	**5.5%**	**5.3%**

Glossary of Terms

AAF Report – Report prepared in accordance with Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

Administrator – State Street Bank and Trust Company.

AIC – Association of Investment Companies, the trade body for Closed-end Investment Companies.

AIC Code – the principles set out in the Association of Investment Companies Code of Corporate Governance.

AIM – the Alternative Investment Market.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles ("**AIFs**") in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager ("**AIFM**"). The Board of Directors of an Investment Trust, nevertheless, will remain fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Company's AIFM is the Manager.

BMO – Bank of Montreal, which is the ultimate parent company of BMO Global Asset Management ("**BMO GAM**")

BMO Capital and Income Investment Trust PLC – the "**Company**".

BMO GAM – BMO Investment Business Limited and BMO Asset Management Limited.

BMO savings plans – the BMO General Investment Account, BMO Junior Investment Account, BMO Investment Trust ISA, BMO Junior ISA and BMO Child Trust Fund operated by BMO Asset Management Limited, a company authorised and regulated by the Financial Conduct Authority.

Benchmark – the FTSE All-Share Index (the "**Index**") is the benchmark against which the increase or decrease in the Company's net asset value is measured. The Index averages the performance of a defined selection of companies on the London Stock Exchange and gives an indication of how those markets have performed in any period. As the investments within the Index are not identical to those held by the Company, the Index does not take account of operating costs and the Company's strategy does not include replicating (tracking) this index, there is likely to be some level of divergence between the performance of the Company and the Index.

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to its net asset value and the shares of which can only be issued or bought back by the company in certain circumstances.

Cum-dividend – shares are classified as cum-dividend when the buyer of a security is entitled to receive a dividend that has been declared, but not paid. Shares which are not cum-dividend are described as ex-dividend.

Custodian – The Custodian is JPMorgan Chase Bank. A custodian is a specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services.

Depositary – The Depositary is JPMorgan Europe Limited. Under AIFMD rules, the Company must appoint a depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. The appointed depositary has strict liability for the loss of the financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits.

Derivative – a contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are Put and Call Options, Swap contracts, Futures and Contracts for Difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see note 2 on the accounts). Company Law requires that Share Capital, the Share Premium Account and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. The cost of any share buybacks is deducted from Capital Reserves.

Dividend Dates – Reference is made in announcements of dividends to three dates. The "**record**" date is the date after which buyers of the shares will not be recorded on the register of Shareholders as qualifying for the pending dividend payment. The "payment" date is the date that dividends are credited to Shareholders' bank accounts. The "**ex-dividend**" date is normally the business day prior to the record date (most ex-dividend dates are on a Thursday).

FIGIT – F&C Income and Growth Investment Trust PLC, the subsidiary company dissolved on 28 March 2018.

Fund Manager – Julian Cane, an employee of the Manager with overall management responsibility for the total portfolio.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union).

Investment Company (section 833) – UK Company Law allows an Investment Company to make dividend distributions out of realised distributable reserves, even in circumstances where it has made capital losses in any year (see note 2 on the accounts), provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (section 1158) – UK Corporation Tax law allows an Investment Company (referred to in tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 1 on the accounts). The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

ISAE Report – Report prepared in accordance with the International Standard on Assurance Engagements.

Leverage – as defined under AIFMD rules, leverage is any method by which the exposure of an AIF (being an investment vehicle under the AIFMD) is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to gearing, but is expressed as a ratio between the net assets (excluding borrowings) and the net assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager (AIFM) – BMO Investment Business Limited, a subsidiary of BMO Asset Management (Holdings) Limited which in turn is wholly owned by Bank of Montreal ("**BMO**"). Its responsibilities and remuneration are set out in the Business Model, Directors' Report and note 4 on the accounts.

Net asset value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 on the accounts) and UK Accounting Standards. The net assets correspond to Total Shareholders' Funds, which comprise the share capital account, capital redemption reserve, share premium account, special reserve and capital and revenue reserves.

Non-executive Director – a Director who has a contract for services, rather than a contract of employment, with the Company. The Company does not have any executive Directors. Non-executive Directors' remuneration is described in detail in the Remuneration Report. The duties of the Directors, who govern the Company through the auspices of a Board and Committees of the Board, are set out in the Corporate Governance Statement.

Open-ended Fund – a collective investment scheme which issues shares or units directly to investors, and redeems directly from investors, at a price that is linked to the net asset value of the fund.

Registrar – Computershare Investor Services PLC provide share registration services to the Company. They maintain the register of members and arrange the payment of dividends. Shares held by investors in the BMO Savings Plans are held on the register in one nominee account under the name of State Street Nominees Limited.

SORP – Statement of Recommended Practice. The accounts of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 2 on the accounts.

SSAE – Statement on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants.

Total expense ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company, calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

UK Code of Corporate Governance (UK Code) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with Shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

Warning to Shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **fca.org.uk** to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("**FCA**") on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

BMO Capital and Income Investment Trust PLC

Report and Accounts 2018

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