BMO Capital and Income Investment Trust PLC

Report and Accounts 2021

BMO

Part of

COLUMBIA THREADNEEDLE INVESTMENTS

Financial Calendar	
Fourth interim dividend for 2021	16 December 2021
Annual General Meeting	10 March 2022
First interim dividend for 2022	March 2022
Interim results for 2022 announced	May 2022
Second interim dividend for 2022	June 2022
Third interim dividend for 2022	September 2022
Final results for 2022 announced	November 2022
Fourth interim dividend for 2022	December 2022

Contents

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.

Company Overview

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 its benchmark over the short, medium and long-term under Julian Cane, our Fund Manager for over 24 years.
- A recognised "AIC Dividend Hero", our dividend has increased every year since launch in 1992 and grown at more than twice the average rate of inflation since then.
- Our Ongoing Charges of 0.59%* 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**

aic DIVIDEND HERO

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

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.

*See Alternative Performance Measures on pages 85 and 86.

Financial Highlights
for the year ended 30 September 2021

11.60p

Ordinary dividends – 28th consecutive annual increase

The dividends for the year are a 0.9% increase on the prior year.

35.5%

Share price total return*

The share price total return for the year was 35.5%. The share price at 30 September 2021 was 325.0p.

37.8%

Net Asset Value per share total return*

The Net Asset Value per share total return for the year was 37.8%, outperforming the Benchmark FTSE All-Share Index which returned 27.9%. Net Asset Value total return is ahead of the Benchmark over 1, 3, 5, 10, 20 years and since launch in 1992.

(2.0)%

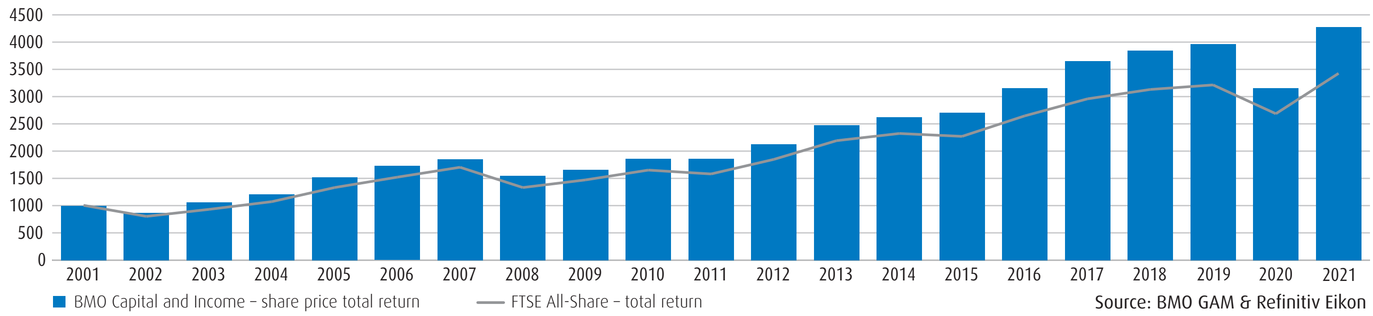
Shares ended the year at a discount* of 2.0%

The shares traded at an average discount to NAV of 1.6% over the year.

The longer term rewards

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 £4,277 compared with £3,490 from its Benchmark, the FTSE All-Share Index with notional dividends reinvested.

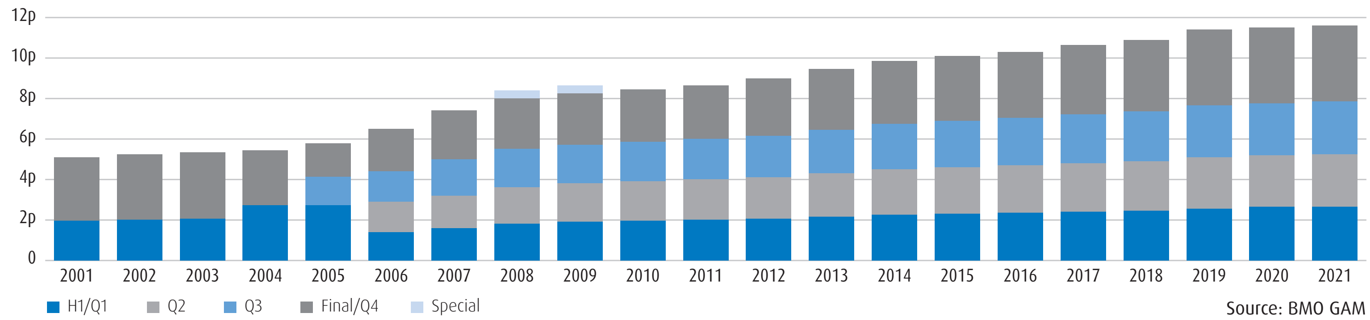
£1,000 Investment, with dividends reinvested at 30 September



Source: BMO GAM & Refinitiv Eikon

The ordinary dividend has increased every year since launch and over the last twenty years is up 127.5% or 4.2% compound per year, compared with inflation of 51.8% or 2.1% compound per year.

Dividend Progression (pence per share) for BMO Capital and Income Investment Trust



Source: BMO GAM

*See Alternative Performance Measures on pages 85 and 86.

Chairman's Statement

"This year we experienced the recovery of equity markets following the COVID-19 related collapse the previous year and I am pleased to report that the performance of your Company was strong."

Jonathan Cartwright, Chairman

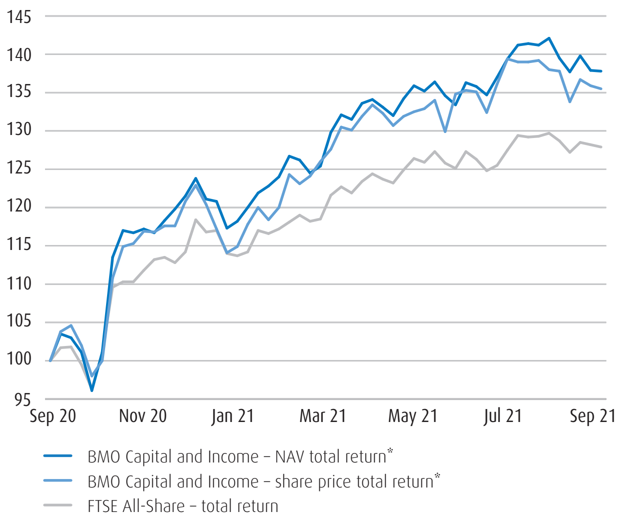
Dear Shareholder,

It is fair to say that my second year as Chairman has been very different from the first. This year we experienced the recovery of equity markets following the COVID-19 related collapse the previous year and I am pleased to report that the performance of your Company was strong. The Fund Manager's Review later in this report gives more detail on the movements of the UK equity market and our investment portfolio, but the headlines are all encouraging.

Over the year to 30 September 2021, the Net Asset Value (NAV) per share total return (including all income) rose by 37.8% and the share price total return (including the dividends paid) was close behind rising by 35.5%. Both of these were comfortably ahead of the FTSE All-Share Index (the Index), our benchmark, which rose 27.9%. After a difficult year in 2020, the strength of these results restores your Company's record as being ahead of its benchmark over the short, medium and long-term.

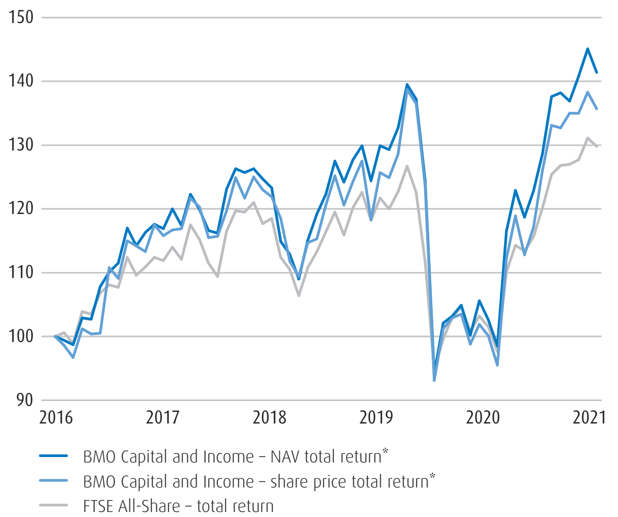
Over five years to 30 September 2021, the Company's NAV per share and share price total returns were +41.4% and +35.7% respectively, while the comparable figure for the Index was +29.8%. Normally, it might be considered somewhat irrelevant to quote long-term performance figures as there is not often such lengthy continuity in a specific investment manager's input. However as your investment manager, Julian Cane, is

Performance over one year (%)



Source: Refinitiv Eikon — Rebased to 100 at 30 September 2020

Performance over five years (%)

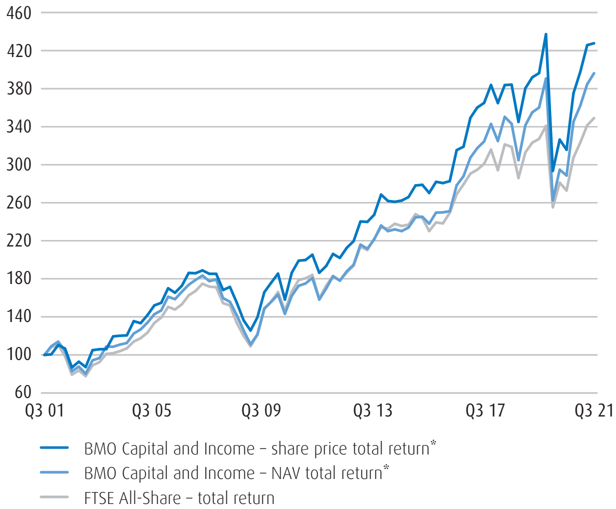


Source: Refinitiv Eikon — Rebased to 100 at 30 September 2016

*See Alternative Performance Measures on pages 85 and 86.

now in his 25th year of looking after this Company's assets it does seem appropriate and relevant. Over the 20 years to 30 September 2021, the Company's NAV per share and share price total returns were +292.9% and +327.7% respectively. These compare directly to the total return from the FTSE All-Share of +249.0% and I take this opportunity to thank Julian, not only for his very successful stewardship of the Company's portfolio since launch, but also for his continuing management and advice regarding the Company's portfolio.

Total returns over twenty years (%)



Source: Refinitiv Eikon

Rebased to 100 at 30 September 2001

*See Alternative Performance Measures on pages 85 and 86.

Revenue, Earnings and Dividends

A look at the revenue and earnings for the year shows very strong rates of growth, but this would be a misrepresentation of the longer-term situation. At the start of the COVID-19 pandemic many companies stopped paying or reduced their dividends and as dividends from investee companies make up the portfolio's income, this led to a sharp reduction in revenue for your Company. In the year to 30 September 2020 the Company's own earnings per share fell 36.4% so in that context an increase of 26.6% to 10.56 pence per share to 30 September 2021 was positive, but only a partial rebound.

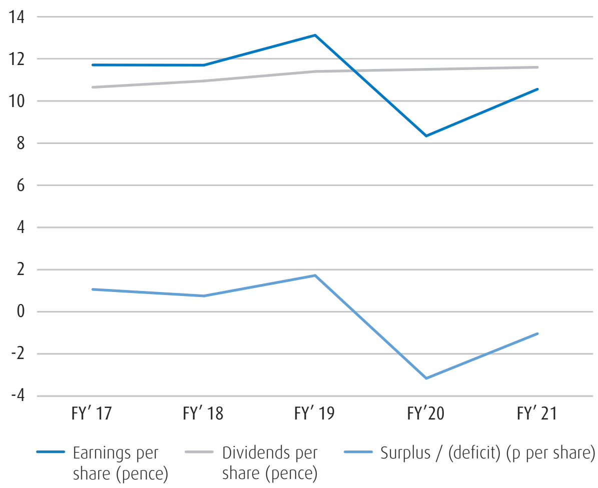
The Fund Manager's Review gives more information on the timing and rate of recovery in dividend flows from the equity market, but, barring further material disruptions, we should be well past the point of maximum dividend pressure.

With these results, we are announcing the intention to pay a fourth quarterly dividend of 3.75 pence per share. This will be paid on 16 December 2021 to Shareholders on the register on 3 December 2021. The ex-dividend date is 2 December 2021. Together with the three dividends already paid for this financial year, this takes the total dividend for the year to 11.6 pence per share, an increase of 0.9% compared to last year.

Your Board took the decision last year and this to increase dividend payments to our Shareholders despite the fall in our earnings and we have drawn on our substantial Revenue Reserve in order to do so. The Revenue Reserve is the surplus of earnings over dividend payments we have accumulated over the life-time of the Company and is a distinguishing feature of investment trusts as compared to open-ended investment vehicles. A key purpose of the Revenue Reserve is to support dividend payments when, for whatever reason, there is a shortfall in earnings. The Board repeats the assurance that it is very willing to use the Reserve when appropriate and necessary to support the payment of an increased dividend.

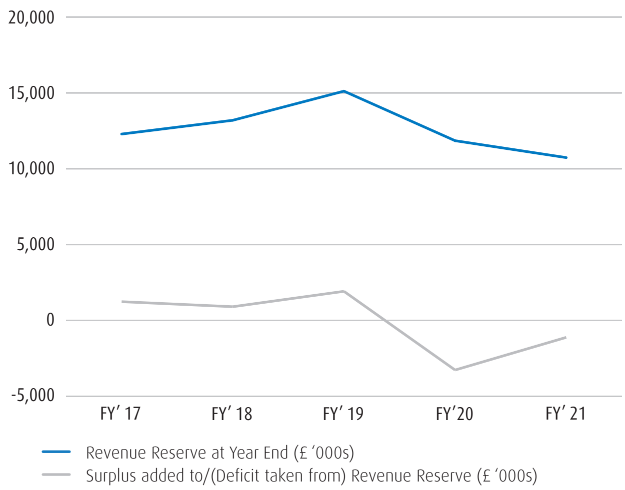
The shortfall in earnings for the year to 30 September 2021 relative to the dividends paid and proposed in respect of the year is 1.04 pence per share, a reduction of over 67% compared to the shortfall in the previous

Evolution of Surplus / (Deficit) in Pence Per Share



Source: BMO GAM

Evolution of the Revenue Reserve (£'000s)



Source: BMO GAM

year. This is a clear indication of an underlying improvement. Revenue reserves have been used to support 2021 dividend payments, as they were in 2020. However, this year only £1.1m was required to cover dividends paid in the year and the Company had revenue reserves of £10.7m at the year end.

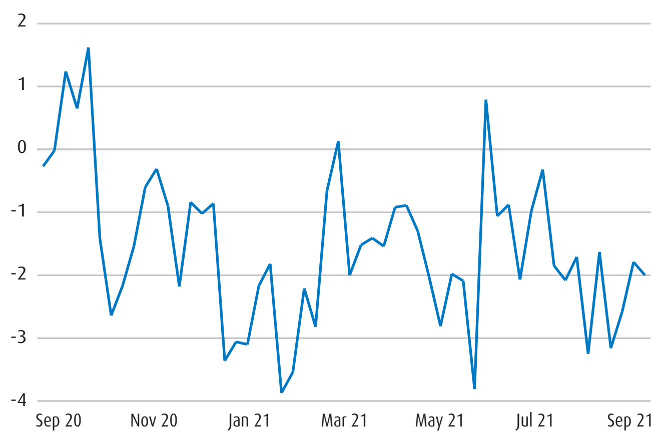
We remain proud to be an AIC Dividend Hero as we have increased our dividend every year since launch in 1992. It is very much our intention to continue to extend this record.

Share Rating

Over the last year, the share price has on average traded at a discount to the underlying NAV per share. As noted in the interim report, it is impossible to ascribe this precisely to any particular reason, but the rating on your shares remains consistently better than that of the majority of its peers in the UK Equity Income sector.

As the Board has consistently stated, it does not think it is in Shareholders' interest that the shares of the Company should become too detached from the underlying NAV per share. In order to put these words into action, over the last year the Company has both bought back its own shares and issued new shares. The share purchases were on two separate occasions in March when the discount was threatening to widen further. A total of 150,000 shares were bought at an average discount of 4.1% to the underlying NAV per share and put into treasury. We sold shares on four separate occasions, totalling 729,754 shares, all at an average premium of 1.7% to the underlying NAV per share; this included re-selling from treasury in April the 150,000 shares that had been bought in March. From these transactions, it appears there is net demand for your Company's shares and this in turn should help to keep the share price close to the NAV per share.

Share price premium/(discount) to NAV over one year (%)*



*See Alternative Performance Measures on pages 85 and 86.

Source: BMO GAM

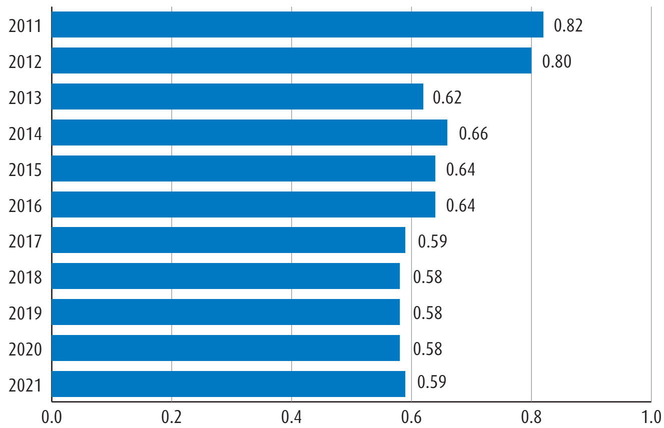
The Board will again be asking at the Annual General Meeting for Shareholders to give authority for the issue of shares at a premium and also to buy shares back at a discount. This will assist the Company in keeping its share price closely linked to the NAV per share and also helps to provide liquidity to Shareholders and potential investors over and beyond what may be available from traditional market makers.

Costs

Your Company is efficiently run with a cost of running the Company expressed as a percentage of average net assets of 0.59%. We believe this is amongst the most competitive in the peer group and represents very good value for Shareholders. The most significant cost incurred is the fee paid to the Investment Manager for its services; this is fixed as a percentage of the size of the assets of your Company.

All our performance figures are quoted after these costs.

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



*See Alternative Performance Measures on pages 85 and 86.

Source: BMO GAM

Balance Sheet and Gearing

During the year, following a competitive tendering process, we renewed and extended our loan facility with Scotiabank. The Company now has potential to borrow up to £40m, an increase from £30m previously. Given the rise in our net assets, this gives us the ability to keep gearing levels at a similar percentage as before, if wanted. Through most of the first six months under review, we borrowed £20m and increased this to £25m under the new facility. At the year end the gearing level was 6.5%, a little lower than 7.1% at the start of the year.

Responsible Investment

By contrast to the sudden fashionable rush for all things Environmental, Social and Governance (ESG) related, the Board and BMO GAM have long recognised the importance of the highest standards of ESG practice in assessing investments and BMO GAM has one of the largest and longest established teams in the City dedicated to ESG. There is a detailed report on pages 24 to 27 which explains BMO GAM's ESG policies, how these are implemented in the management of the portfolio as well as its engagement with our investee companies. It is clear this area is becoming increasingly important and the Board fully supports BMO GAM in its actions on your Company's behalf.

AGM

The 2021 Annual General Meeting (AGM) of the Company was held on 16 February 2021. Due to travel and gathering restrictions arising from the COVID-19 pandemic, Shareholders were not able to attend physically. However, Shareholders were able to view online a presentation by our Fund Manager Julian Cane and participate in a live question and answer session with him and me. I would like to thank those Shareholders who participated.

I am pleased to report that it is anticipated that our 2022 AGM will revert to our normal practices. The AGM will be held at the London Offices of the Manager, Exchange House, Primrose Street, London, EC2A 2NY on Thursday 10 March 2022 at 12.30pm and will include a presentation from Julian on the Company and its investment portfolio.

We do strongly advise all Shareholders to consider their own personal circumstances before attending the AGM in person. For Shareholders who choose not to attend, any questions they may have regarding the resolutions proposed at the AGM or the performance of the Company can be directed to a dedicated email account, bciagm@bmogam.com, by Thursday 3 March 2022. We will endeavour to ensure that all such questions are fully addressed during the meeting. In addition, the meeting will be recorded and will be available to view on the Company's website, www.bmocapitalandincome.com shortly thereafter.

To ensure that your votes will count, I would encourage all Shareholders that cannot attend in person to complete and submit their Form of Proxy or Form of Direction in advance of the AGM.

I do however note that as the situation with regard to the COVID-19 pandemic remains uncertain, if circumstances were to change prior to 10 March 2022 and laws or regulations no longer permitted physical attendance, the Company will communicate to Shareholders any changes to arrangements by a London Stock Exchange announcement and through updates to the Company's website detailed above.

Ownership of the Manager

On 12 April 2021 BMO announced that it had reached an agreement to sell its asset management business in Europe, the Middle East and Africa to Columbia Threadneedle, the global asset management business of Ameriprise Financial, Inc. This acquisition completed on 8 November 2021.

During this acquisition process the Board has sought and received confirmation from senior management at Columbia Threadneedle of the importance of maintaining stability and continuity of the teams which presently support your Company. The Board welcomes these assurances and will ensure that Shareholders are kept informed of developments as this new relationship develops.

Outlook

Whilst the future is always uncertain, it certainly feels at present as though there are more issues of potential concern than usual notwithstanding the initial success of the UK Government's COVID-19 vaccine rollout. At the time of writing, the rate of new COVID-19 infections appears to have abated somewhat in the UK. However, as we are seeing in Europe, the possibility of restrictions being reimposed cannot be ruled out. After the success of the vaccination programmes to date, this would clearly be a retrograde step for social and economic reasons and would not appear to be built into market forecasts.

Globally, supply chains are under enormous pressure, energy prices are soaring and more general inflationary pressure is building. Central Banks are talking about reducing Quantitative Easing and increasing interest rates, while at the same time government debt has risen substantially. None of these points would normally be expected to improve investors' confidence and they certainly give grounds for some caution.

On the other hand, there are clearly opportunities to grasp. It seems likely that supply chain issues will abate, albeit in an uncertain timeframe, thus reducing some inflationary pressure. It also seems unlikely that interest rates will be increased significantly over the short term as there is little logic in trying to stem 'cost-push' inflation by raising interest rates.

Having anticipated that conditions would have returned closer to previous normality by now, it is disappointing that has not fully happened, but it surely leaves some recovery potential to come. Your investment Manager sees opportunities to invest in companies generating good returns despite the circumstances and this combined with UK stock market valuations that do not appear too demanding give confidence that we should again be able to secure our objective of long-term capital and income growth for Shareholders.

Jonathan Cartwright
Chairman
24 November 2021

Purpose, Strategy and Business Model

Purpose and strategy

The purpose of the Company to provide investors with long-term capital and income growth.

The strategy is to invest in companies, mainly in the FTSE All-Share Index, that have good long-term prospects with attractive returns on invested capital.

With values embedded around the needs of retail investors for over 29 years, the Company's investment strategy has produced outperformance and real rises in dividends over the longer term as reported on page 3. The investment philosophy and processes underpinning this strategy are set out on pages 22 and 23. By the promotion of the Company through appropriate channels the aim is to position the Company as a compelling investment choice, particularly for retail investors.

Business model

The Directors have a duty to promote the success of the Company. As an investment company with no employees, the Board believes that the optimum basis for doing this and achieving the Company's strategy is a strong working relationship with its appointed manager, BMO Investment Business Limited. Within policies set and overseen by the Board, BMO Investment Business Limited 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 matters is undertaken through its sister company, BMO Asset Management Limited. These two companies (together **"the Manager"**) are owned by Ameriprise Financial, Inc.

As an investment trust we are not constrained by asset sales to meet redemptions and are 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. All our investments are listed. 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 strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 32 and 33; setting limits on gearing and asset allocation; monitoring investment performance; and setting and monitoring marketing budgets.

Alignment of values

It is important that the values, expectations and aspirations of those charged with managing the assets align with those of our own.

The Board has reviewed the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of Shareholders. The Manager has a culture of diversity and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs.

Environmental, Social and Governance ("ESG") impact

The Company's ESG policies are set out on page 24 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its Shareholders are effectively its customers. In consequence, it does not directly generate any greenhouse gas or other emissions or pollution. The Company's indirect impact occurs through the investments that it makes and this is mitigated by the Manager's Responsible Investment Approach as explained on pages 24 to 27.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital and income for Shareholders and therefore an important responsibility of the Directors is exercising a robust annual evaluation of the Manager's performance. This is an essential part of the strong governance that is carried out by the Board, all the members of which 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 49. The management 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.

Managing risks and opportunities

Like all businesses, investment 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; any errors; internal control procedures; marketing; Shareholder and other stakeholder issues, including the Company's share price premium or discount to NAV; and accounting and regulatory updates.

Shareholders can assess the financial performance from the Key Performance Indicators that are set out on page 15 and, on page 28, can see what the Directors consider to be the Principal Risks that the Company faces. The risk of not achieving the Company's objective, or of consistently underperforming the 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 regularly monitoring the Manager's performance, its commitment and available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include JP Morgan Chase Bank, (**"the Custodian"**) and JP Morgan Europe Limited (**"the Depositary"**) in their duties towards the safeguarding of the assets.

The principal policies that support the strategy are set out from page 32, whilst the Fund Manager's Review of activity in the year begins on page 10. In the light of the 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 29 its reasonable expectation that the Company will continue in operation and meet its liabilities over the coming five years.

Communications and marketing with key stakeholders

The Company fosters good working relationships with its key stakeholders; Shareholders, the Manager, suppliers and service providers. As an investment trust the Company has no employees.

With approximately 88% of the shares held by retail investors and savings or execution-only platforms representing an increasingly significant and growing element of the Shareholder base, the Company remains focused with the Manager on promoting its success to this audience. All appropriate channels are used including the internet and social media.

Communication with Shareholders includes reporting the Company's activities and performance through the publication of its financial statements. The vast majority of Shareholders and BMO Savings Plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, we instead make available a short notification summary of the main highlights of our half-yearly and annual results. Shareholders and BMO Savings Plan investors are able to locate the full information on our website, bmocapitalandincome.com. Under normal circumstances, the Annual General Meeting (**"the AGM"**) of the Company provides a forum, both formal and informal, for Shareholders to meet and discuss issues with the Directors and Fund Manager. Through the Manager, the Company ensures that the BMO Savings Plan investors are encouraged to attend and vote at AGMs in addition to those who hold their shares as members on the main Shareholder register. Details of the proxy voting results on each resolution are published on the website where there is also a link to the daily publication of our NAV and our monthly factsheet.

It is anticipated currently that the Company's next AGM to be held at 12.30pm on 10 March 2022 will revert to pre-pandemic practices with a physical meeting held at Exchange House, Primrose Street, London, EC2A 2NY.

The Manager also has in place a programme of visits designed to foster good relations with wealth managers and underlying investors in promoting the Company's investment proposition. These visits are reported regularly to the Board. The Chairman and Senior Independent Director are available to meet with major investors on request.

Fund Manager's Review

"We are long-term investors, not easily losing faith in the companies in which we have invested. This strength of conviction was tested over the last two years with the fall in the value of the companies we believe have great potential, but the subsequent recovery has vindicated our approach"

Julian Cane, Fund Manager

Review of the UK Stock market and Our Performance

Last year was a stark contrast in terms of stock market performance relative to the previous year. Whilst the year to 30 September 2020 had considerable volatility and overall the FTSE All-Share Index total return fell by 16.6%, the year to 30 September 2021 was quite different. Not only was the return from the Index much less volatile, but the Index reported a strong gain of 27.9%, with only three months of the twelve showing negative returns; this compares directly to our own NAV total return of 37.8%. The strength of the Index over the year was such that on a two-year basis, the collapse in the stock market brought about by concerns related to the economic and financial effects of COVID-19 has been negated.

Monetary conditions have been extremely loose during the year under review with further Quantitative Easing and the Bank of England Base Rate kept at 0.1%. This helped to provide a positive background for the strong economic recovery after the dramatic cessation of much activity in the previous year. Of much greater significance was the successful discovery, trialling and roll-out of a number of vaccines to counter COVID-19. It is no casual exaggeration to say this was entirely unprecedented and completely changed the speed with which economies have been able to make the next steps on the road to recovery. Close to half the rise in the Index level can be directly attributed to the positive news on the vaccines at the start of November 2020.

Despite its strength, the UK stock market has proven to be a busy hunting ground for private equity. It can be argued UK stock market valuations have been depressed by years of Brexit uncertainty and then disrupted by the pandemic; as the economy recovers from the pandemic and investors are able to take a more considered view on post-Brexit Britain, these attractive valuations have led to a large number of companies receiving take-over bids. This, in turn, has helped to push the overall market valuation a little higher.

Three of our investments were bid for by private equity: Arrow Global, which rose 140% before we sold, Signature Aviation, which gained 56% and Ultra Electronics, which rose 59%. Arrow Global recorded the strongest absolute gain in the portfolio over the year, but there were some exceptionally strong share price gains by many other companies too. Vistry Group, the house builder, gained 119% and OSB Group (formerly OneSavings Bank) gained 87%; the success of both of these companies is obviously closely linked to the stability and security of the UK housing market.

On the other side of the table, there were only seven shares that recorded a negative return during the period we held them in the year. The share prices of Intertek, SAP and Unilever came under pressure, not because of particularly poor trading by the companies, but more because their valuations had been higher than average at the start of the year and the companies did not have the recovery potential that some of the more economically sensitive had.

It is clearly good for many stocks in our portfolio to be showing strong absolute performance, but it is even better when this is combined with a size of investment that makes a meaningful difference to performance. Strong share price performance in an investment that is a significant part of the portfolio is clearly better than strong share price performance in an investment that is a much smaller part of the portfolio. This then is what drives absolute performance of our portfolio, but at the next level of comparison, we consider how the portfolio's performance is different to that of the benchmark Index. The attribution table opposite highlights the ten stocks that made the most significant contribution to our performance, both positive and negative, relative to the Index.

OSB and Intermediate Capital are not only our two largest investments in an absolute sense, because the companies are not large constituents of the Index, they are also the largest positions relative to the Index.

Their strong performance and considerable weight relative to the Index led to them being the two most substantial contributors to our relative performance.

It is noticeable that many of the companies listed as the strongest positive contributors this year were amongst the largest detractors last year, and vice versa. This is very much a function of the see-saw movement of the stock market over the last two years: a sharp fall in equities, and particularly of many of our largest holdings, in early 2020, followed by the recovery in the share prices of those companies over the next 18 months.

We are long-term investors, not easily losing faith in the companies in which we have invested. This strength of conviction was tested over the last two years with the fall in the value of the companies we believe have great potential, but the subsequent recovery has vindicated our approach, as is shown in the recovery in our performance over the medium and long-term.

Another feature of the list of detractors from our relative performance is that only one of the ten, SAP, is a positive position relative to the Index, i.e. this is an investment we strongly supported, but its share price was weak last year. The broader context though is important as the share price of SAP has risen almost threefold since we first invested in the company and it was a strong performer in 2020. Seven of the other detractors were not held in the portfolio. As we do not and cannot own all the shares in the Index, this is inevitable; it is simply our job to invest in companies that perform better than those we don't own.

Absolute performance of stocks held in portfolio

10 Strongest share prices	Portfolio Average Weight (%)	Total Return (%)	10 Weakest share prices	Portfolio Average Weight (%)	Total Return (%)
Arrow Global	1.1	140.2	GlaxoSmithKline	2.9	2.4
Vistry Group	2.9	119.0	Sage	0.6	1.3
OSB Group	5.2	86.7	Phoenix	2.9	0.7
Sirius Real Estate	1.2	85.0	Heineken	0.6	-3.1
Royal Dutch Shell	1.6	82.8	Strix	0.2	-5.5
Intermediate Capital	4.8	76.3	RM	0.1	-6.0
WPP	1.1	69.4	Keller	0.0	-7.2
Secure Income REIT	2.8	64.2	Unilever	3.8	-13.1
Forterra	1.8	60.2	SAP	1.0	-15.2
BP	1.3	60.1	Intertek	1.6	-19.9

Relative to the benchmark Index

Top 10 Contributors	Portfolio Average Weight (%)	Average Weight Relative to the Index (%)	Total Return (%)	Contribution To Relative Performance (%)	Bottom 10 Contributors	Portfolio Average Weight (%)	Average Weight Relative to the Index (%)	Total Return (%)	Contribution To Relative Performance (%)
OSB Group	5.2	5.1	86.7	3.4	Rolls-Royce	–	-0.3	–	-0.4
Intermediate Capital	4.8	4.5	76.3	2.8	SAP	1.0	1.0	-15.2	-0.4
Vistry Group	2.9	2.8	119.0	2.3	BHP Group (UK)	–	-1.9	–	-0.5
Arrow Global	1.1	1.1	140.2	1.9	BP	1.3	-1.2	60.1	-0.6
Countryside Properties	3.4	3.3	50.4	1.7	Ashtead Group	–	-0.9	–	-0.6
Legal & General	3.7	3.0	59.0	1.6	Anglo American	–	-1.5	–	-0.7
Secure Income REIT	2.8	2.8	64.2	1.6	Barclays	–	-1.2	–	-0.9
Informa	2.4	2.1	45.9	1.1	Glencore	–	-1.4	–	-1.1
Close Brothers	2.2	2.1	59.2	1.1	HSBC	–	-3.6	–	-1.4
Howden Joinery	2.1	1.9	55.2	1.0	Royal Dutch Shell	1.6	-3.0	82.8	-2.0

Gearing

The use of debt to invest in our portfolio was clearly positive last year. The cost of the borrowing at less than 2% remains extremely low by any historical standard and the returns achieved from the portfolio were very many multiples greater. It is also positive that we increased the amount borrowed from £20m to £25m in March 2021 so that we had more invested in the recovery phase of the market than in the preceding fall. Gearing has been of benefit to Shareholders over the short, medium and long-term.

Portfolio Turnover

Our investment philosophy and process aim to identify high quality investments and invest in them at attractive prices. Inherent within our assessment of 'quality' is the long-term ability of a company to generate attractive returns; if we have done our research correctly, then our investments should be long-term in nature, leading to relatively little buying and selling in the portfolio and therefore our portfolio turnover should naturally be fairly low. The totals for the year of purchases and sales were £42.7m and £38.9m respectively, compared to average assets of £311.1m.

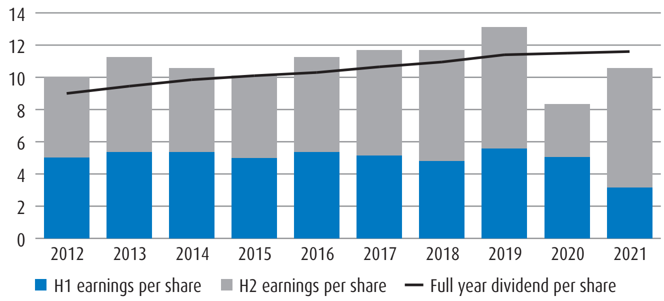
We have again reduced the number of investee companies, reducing the number held in the portfolio over the year from 56 to 50. As mentioned earlier, two of these sales were brought about as a result of bids by private equity (the bid for Ultra Electronics is still being reviewed by the UK Government), while the others were largely undertaken in order to allow us to increase our investments in companies in which we perceived to be more attractive, either as we believe they are higher quality, with better growth prospects or more attractively valued. Even though there are fewer companies within the portfolio, we still consider it to be well diversified, and with each remaining company in the portfolio now having greater potential to have a more significant impact on overall performance.

Revenue and Earnings Per Share

There was a substantial increase in our earnings per share last year of almost 27%. This was both a reflection of how much earnings had fallen the previous year and the recovery that has been happening this year.

From March of 2020 in response to the growing COVID-19 pandemic many companies started to cut or cancel their dividends to Shareholders in order to preserve cash within their own businesses; this obviously had a significant negative impact on our income (the dividends paid to us by our investee companies) and earnings. This was particularly evident in the second half of the financial year to 30 September 2020 when the uncertainty caused by the pandemic was at its greatest and before the vaccinations had been created. The lack of economic and business confidence largely continued into the first half of this financial year under review, and is very much visible in the chart which follows as earnings remained depressed. However, as we have progressed through 2021 the success of the vaccination programme has been obvious, the economy has rebounded and most companies have restarted their dividend programmes. The improvement in our revenue and earnings in the second half of our financial year is clear to see even though not all our investee companies have fully restarted their dividends.

BMO Capital and Income Earnings and dividend progression (pence)



Source: BMO GAM

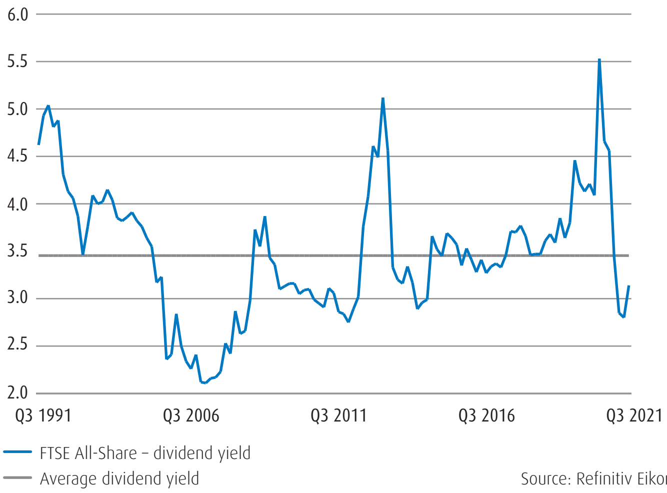
Valuation

After such a strong run and close to all-time highs, it might be thought that UK shares are no longer attractively valued. However, last year's rebound in markets has largely returned equities only back to where they were pre-pandemic. Earnings from companies are still recovering, as are dividends so looking at simple valuation methods, such as price/earnings or dividend yield on an historic basis as the charts opposite do, is to look on the conservative side. Even on this basis, valuations do not appear far out of line with long-term historic averages, suggesting that on a fully recovered basis for earnings and dividends the valuation ratios would look rather more attractive than the historic average.

The UK equity market has also lagged many of its developed market peers for a number of years. Direct comparisons are complicated by the make-up of the indices (the valuation of a large UK oil company will inevitably be different to that of a US tech company), but there does appear to be residual and real difference, which helps to explain the reason for the rash of private equity bids in the UK relative to other countries.

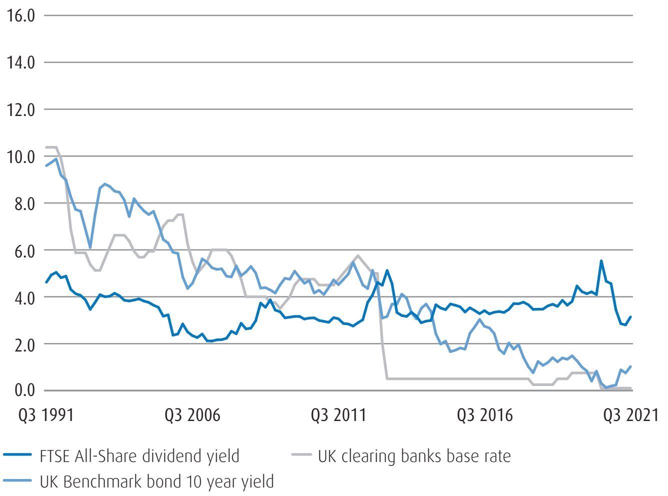
It is also instructive to compare yields on various investment assets. The yield on cash deposits has been extremely limited now for over a decade, and although interest rates are expected to increase in coming months, it would be surprising if it made much of a difference to most depositors. The yield on government bonds is also low, but has picked up in recent months. As bonds pay a fixed coupon to investors, it is worth remembering an increase in yield is synonymous with a fall in price. By comparison, UK equities yield a multiple of either of those alternatives and while last year has reminded us that dividends from

FTSE All-Share Dividend Yield (%)



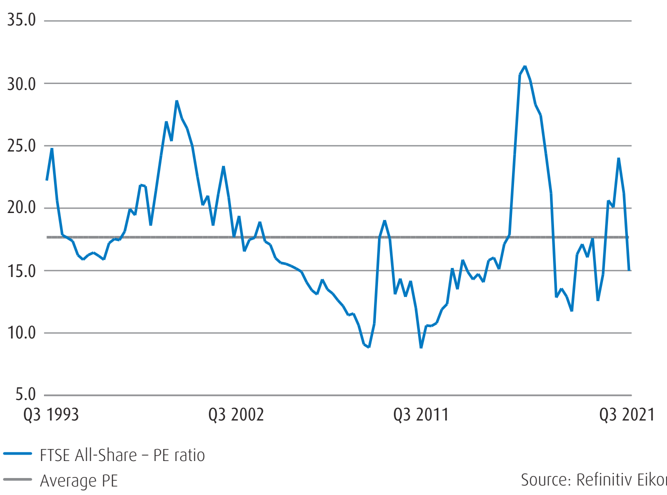
Source: Refinitiv Eikon

Yields from investment assets (%)



Source: Refinitiv Eikon

FTSE All-Share price/earnings multiple



Source: Refinitiv Eikon

equities can be cut (although your Company increased its dividend) over the long-term dividends have risen strongly, with the potential for capital growth as well.

Outlook

At face value, with the success of the vaccination programme in the UK and many other countries, many aspects of normal life are returning. However, as a result of the pandemic there are a number of things that have changed, most obviously Government debt is materially higher than previously and the impact of the sudden economic stop then restart has thrown the supply chain into chaos. This has highlighted the trade-off between efficiency (as exemplified by Just In Time manufacturing techniques) and resilience. In future, resilience is likely to be given a great deal more consideration, inevitably at the cost of efficiency and hence short-term profitability.

Inflation is the greatest concern of financial markets at present. Whilst Central Bankers seek to reassure us that the inflation we can see all around is 'transitory', the parallels with the 'stagflation' period of stagnant growth and high inflation 1970s are strong and difficult to ignore. It is clearly true that supply chain disruption is a significant cause of the price adjustments and inflation worldwide and it seems most probable that given sufficient time, the supply chains will be re-established, albeit with more flexibility, resilience and cost. In that sense, the current burst of inflation could be transitory. However, extremely loose monetary conditions and soaring government debt have uncomfortable parallels and economists are divided along ideological lines as to whether this will feed through into more persistent inflation.

We believe it is extraordinarily difficult to make economic forecasts from which we could benefit when investing in shares. We believe broadly that economic activity will return to how it was pre-COVID-19, but there will be differences, e.g. working from home will be more common and five days a week in an office will be rarer. To protect against the possible effects of inflation, at its broadest, equities are almost certain to offer more protection than bonds where low, fixed yields for nominal bonds could look very unattractive. Furthermore, we strongly believe the best defence is to invest in companies with strong pricing power; those companies with greater control over the pricing of their products or services (because of the inherent quality, desirability or scarcity) will naturally be able to protect their own profitability better than those without. This has long been a part of our investment strategy as it is an important part of our assessment of the quality of a business and the results we have achieved with this process affirm the benefits of active investment.

Julian Cane
Fund Manager
24 November 2021

We recognise the growing importance of the application of high standards of environmental, social and governance practice in delivering sustainable long-term growth in capital and income.

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 Fund Manager's Review.

Total return performance

	1 Year %	3 Years %	5 Years %	
NAV per share Total Return*	37.8	14.6	41.4	This is used to measure the performance of the portfolio in terms of capital and income growth and can be compared to the return of the Benchmark index. The Manager is responsible for the performance of the portfolio.
Benchmark index: FTSE All-Share	27.9	9.5	29.8	
Share Price Total Return*	35.5	11.3	35.7	This is used to measure the return to Shareholders in terms of the capital growth and the dividends they have received and can be 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	0.9	1.9	2.4	This shows the Company's dividend growth which can be compared to the changes in the UK Consumer Price Index (**"CPI"**).
Inflation (CPI)	3.1	1.8	2.1	

Source: BMO GAM and Office of National Statistics

Share price discount/premium to NAV per share as at 30 September

	2021 %	2020 %	2019 %	
Discount to NAV*	-2.0	-0.3	-1.2	This is the difference between the share price and the NAV per share. It is an indicator of excess supply over demand for the Company's shares in the case of a discount and the excess demand over supply in the case of a premium.
Average (Discount) / Premium to NAV during the year	-1.6	0.4	0.2	

Source: BMO GAM

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

	2021 %	2020 %	2019 %	
Ongoing charges*	0.59	0.58	0.58	This is a measure of the cost of running the Company as a percentage of the average net assets. It can give an indication of cost efficiency over time and be compared to the Ongoing Charges of competitor investment vehicles.

Source: BMO GAM

* See Alternative Performance Measures on pages 85 and 86.

Twenty Largest Holdings as at 30 September

2021	2020		2021 % of total investments	2021 Value £'000s	2020 Value £'000s
1	7	**OSB Group (formerly OneSavings Bank Group)** (Financials) This specialist challenger bank has been generating good returns and growing well at carefully controlled risk levels. These factors, together with the synergies arising from its merger with Charter Court Financial Services, are helping it to come strongly through this crisis.	5.9	22,500	10,316
2	6	**Intermediate Capital** (Financials) A specialist lender to private companies both on its own behalf and increasingly for third-party investors. It has been experiencing very strong demand for its funds and generating strong returns despite the difficult conditions. It has the potential to grow the business further and faster.	4.8	18,201	10,600
3	4	**AstraZeneca** (Health Care) A major international pharmaceutical company. Despite a pipeline of new drugs that appeared unexciting in the short-term it is producing strong growth now with more potential further out.	4.3	16,121	11,162
4	3	**Diageo** (Consumer Staples) The largest producer of premium branded spirits in the world and also a major brewer. The strength of the brands and substantial exposure to markets with greater growth potential should lead to attractive returns.	4.1	15,684	11,527
5	1	**Unilever** (Consumer Staples) A leading manufacturer of branded fast-moving consumer goods with more than half of its sales in emerging markets which have greater growth potential.	3.8	14,418	13,038
6	9	**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. Concerns over its credit exposure and solvency appear overdone, just as they were during the Global Financial Crisis, leading to the valuation being attractive.	3.7	14,055	8,947
7	10	**Countryside Properties** (Consumer Discretionary) Its main strength is its specialisation in urban regeneration of public sector land. These are typically long-term contracts, which although less profitable than mainstream house building bear fewer associated risks. The nationwide shortage of housing continues to support the industry.	3.3	12,625	8,400
8	2	**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 only current exposure to the mining sector.	3.2	12,284	11,637
9	21	**Vistry Group** (Consumer Discretionary) The company has made strong progress recovering from the problems experienced when it was Bovis Homes. Its merger with the home building division of Galliford Try further strengthens and diversifies the business.	3.2	12,258	5,700
10	11	**Secure Income REIT** (Real Estate)* The highly successful Prestbury property management team has brought together a group of assets (hospitals, leisure parks and hotels) let to strong tenants. Last year was clearly very challenging, but there should be a full return to scheduled rents in 2022 and 58% of the annual rent roll has RPI-linked reviews.	3.2	12,093	7,699

2021	2020		2021 % of total investments	2021 Value £'000s	2020 Value £'000s
11	18	**Beazley** (Financials) A specialist insurer with a diverse underwriting portfolio that has historically generated good returns and growth. Results have been badly impacted by COVID-19 related losses, but they should recover strongly in future.	2.9	10,997	5,973
12	5	**GlaxoSmithKline** (Health Care) One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. After many years of lacklustre performance, current management is under significant pressure to reinvigorate the business.	2.8	10,525	10,890
13	23	**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.	2.5	9,439	5,311
14	8	**Phoenix** (Financials) A UK domestic life assurer actively taking part in consolidation of the sector. The operational and capital efficiencies and diversification benefits that come from increased scale underpin and drive an attractive dividend.	2.5	9,295	9,894
15	20	**Howden Joinery** (Consumer Discretionary) This business designs, manufactures and sells fitted kitchens, mostly in the UK. Its efficiency and ownership of the value chain makes it a high returning business with the potential to grow and improve returns further.	2.3	8,779	5,788
16	17	**Informa** (Consumer Discretionary) 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). It raised more equity in 2020 to survive the pandemic and should now experience a strong recovery.	2.3	8,749	5,998
17	13	**Compass** (Consumer Discretionary) Compass is the global leader in outsourced catering. A structural shift towards increased outsourcing had been evident pre-pandemic and although this has been temporarily disrupted, attractive rates of growth should return. With its unrivalled scale Compass is able to offer its clients great value.	2.3	8,532	6,544
18	26	**Close Brothers Group** (Financials) A leading independent merchant bank providing customers with lending, deposit taking, wealth management and securities trading. It is run in a conservative way and has historically generated good returns, even through difficult economic times.	2.2	8,497	4,799
19	12	**LondonMetric Property** (Real Estate) This Real Estate Investment Trust owns a desirable and differentiated portfolio of properties. It has a particular focus on delivering reliable and growing income-led total returns.	2.2	8,182	7,587
20	–	**RELX** (Consumer Discretionary) RELX is a global provider of information-based analytics and decision tools for professional and business customers across a range of industries. It also has a leading global events business. It generates high returns on invested capital which we expect will improve further.	2.1	8,051	–

The value of the twenty largest holdings represents 63.6% (30 September 2020: 59.5%) of the Company's total investments.

*Quoted on the Alternative Investment Market in the UK.

Investment Portfolio by Sector

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Energy This industry is dominated by the two oil majors, Royal Dutch Shell and BP. We have investments in both, but these are small relative to their size in the benchmark Index. The share prices of both rebounded very strongly this year and although our stock selection was broadly in line with the Industry's performance, the underweight position relative to the Index led to a negative impact on our relative performance. Our concerns about the industry encompass many aspects of the companies' operations, not least the speed of the transformation of the sources of energy to less polluting alternatives, in addition to the unpredictability of the oil price, the main commodity they produce and sell.	+72.1	+71.6	2.9	7.4	-2.7
Basic Materials Our only investment in this industry is Rio Tinto, as we believe it has the highest quality assets and most sustainable returns across the business cycle. These characteristics should mean that it will outperform its peers in the long-term, but may lag them during strong cyclical recoveries, such as last year.	+18.7	+36.9	4.0	9.8	-2.5
Industrials The share prices of many of the companies in this industry had a good recovery last year. Amongst them were Ibstock and Forterra, the UK brick manufacturers (+35.1% and +60.2% respectively) and Melrose Industries, (+50.4%). Ultra Electronics (+59.0%) has been bid for by Cobham, which is owned by a US private equity investor, but the take-over proposal is subject to a government investigation. Signature Aviation was taken private after we recorded a gain of 56.2% last year.	+32.1	+35.8	15.9	12.7	+1.1
Consumer Staples Having been resilient the previous year, Unilever's share price was under pressure last year (-13.1%) and we have increased our investment in the company in expectation of a longer-term recovery and recognising the relatively attractive valuation. By contrast, the share prices of Coca-Cola HBC (+28.2%) and Diageo (+39.2%) performed well as they were expected beneficiaries of economies, and particularly the entertainment industry, re-opening.	+12.1	+3.9	12.1	15.5	+1.1

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Health Care We have investments in both the major pharmaceutical companies AstraZeneca (+8.8%) and GlaxoSmithKline (+2.4%). AstraZeneca's decision to provide its highly successful COVID-19 vaccine at cost has clearly been a great gift to the world and shows the scientific developments these businesses are capable of, but didn't generate much share price appreciation. GSK continues to languish and is under increasing pressure to improve returns for shareholders.	+6.7	+8.0	6.4	9.3	-0.2
Consumer Discretionary This industry produced a substantial positive contribution to our absolute and relative performance as it rebounded strongly from the fall of the previous year. Amongst the strongest risers were the housing and construction related companies Vistry (+119.0%), Countryside Properties (+50.4%) and Howden Joinery (+55.2%). We took advantage in a temporary set-back in the share price of RELX, formerly known as Reed Elsevier, to start a new position in that company. This was the largest investment change in the portfolio last year.	+55.8	+38.1	15.9	12.1	+3.7
Telecommunications We continue to have no investments in the telecommunications industry as it is difficult to discern any real product or service differentiation for the customers in a highly commoditised market. Pricing seems to be the main point of differentiation between product offerings, thereby ensuring little customer loyalty and low returns for shareholders over the long-term.	–	+26.3	0.0	2.3	-0.7
Utilities National Grid is our only investment in this industry. The characteristics of largely predictable returns were not so much in favour in a year of strong economic and stock market recovery so its share price lagged the wider market.	+4.9	+17.0	1.1	3.1	-0.5

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Financials A large weighting to a strongly performing industry led to a substantial contribution from this area. The performances of Arrow Global, Intermediate Capital and OSB have been commented on elsewhere and these were substantial drivers of the Industry level performance. The three largest individual stock sales were from this sector: Arrow Global, which we sold close to the agreed take-over price, Prudential, which we sold after the announcement of the next stage of its corporate break-up and Lloyds Banking Group, which we sold in order to increase our investment in the more specialised and higher returning OSB. The Round Hill Music Royalty Fund was a new addition and the second largest investment in the year. It is similar to the Hipgnosis Songs Fund, which we already owned. As they are investment funds, they are counted as components of the Financials industry group, but as owners of music royalty rights, their prospects will be determined by the flow and valuations of music royalties.	+48.0	+34.7	32.6	22.8	+7.1
Technology In the context of the strong returns seen in many other industries, Technology had a very subdued year. Our strongest performer was FDM (+29.2%), building on its success of the previous year, while SAP was weaker.	+5.1	+2.9	2.4	2.1	-0.1
Real Estate There was a strong recovery from this industry and the contributions to the fund performance from Secure Income REIT (+64.2%) and Sirius Real Estate (+85.0) were very positive. LondonMetric, with its more defensive properties, had been more resilient in the previous year, but still managed an absolute gain this year, even if less than that of the market.	+45.8	+34.1	6.7	2.9	+0.8

The figures shown in the first two columns compare the total return of the group of investments held within the portfolio in each Industry sector against the total return of all Industry sector constituents of the FTSE All-Share Index over the year to 30 September 2021. All figures shown are before operating costs and the effect of gearing.

List of Investments

Quoted investments	Holding	30 September 2021 Value £'000s
UNITED KINGDOM – EQUITIES		
AstraZeneca	180,000	16,121
Babcock International	500,000	1,858
Beazley	2,900,000	10,997
BP	1,600,000	5,444
Bridgepoint	243,889	1,227
British American Tobacco	180,000	4,687
Burberry	200,000	3,630
Burford Capital*	1,165,362	9,439
Close Brothers Group	550,000	8,497
Coca Cola HBC	335,000	8,033
Compass	560,000	8,532
Countryside Properties	2,500,000	12,625
CRH	190,000	6,631
Diageo	435,000	15,684
DS Smith	1,272,727	5,255
FDM	226,881	2,868
Ferguson	45,000	4,651
Forterra	2,550,000	7,076
GlaxoSmithKline	750,000	10,525
Hipgnosis Songs Fund	6,200,000	7,539
Howden Joinery	980,000	8,779
Ibstock	3,400,000	7,031
IG	950,000	7,643
Informa	1,593,024	8,749
Intermediate Capital	890,000	18,201
Intertek	100,000	4,975
Jupiter Fund Management	700,000	1,750
Legal and General	5,000,000	14,055
LondonMetric Property	3,420,474	8,182
M&G	550,000	1,120
Melrose Industries	4,050,000	7,047
National Grid	420,000	3,715
OSB Group (formerly OneSavings Bank Group)	4,500,000	22,500
Phoenix	1,439,776	9,295
RELX	375,000	8,051
Rio Tinto	250,000	12,284
Round Hill Music Royalty Fund	5,200,000	4,069
Round Hill Music Royalty Fund Class 'C'	1,800,000	1,335
Royal Dutch Shell	425,000	7,011
Sage	332,716	2,361
Schroders (non-voting)	175,000	4,235
Secure Income REIT*	2,900,000	12,093
Sirius Real Estate	4,302,273	5,619
Ultra Electronics	139,213	4,502
Unilever	360,000	14,418
Vistry Group	1,003,521	12,258
WPP	430,000	4,300
XP Power	89,085	4,570
UNITED KINGDOM TOTAL EQUITY		371,467
EUROPE (EX UK) – EQUITIES		
Heineken	50,000	3,232
SAP (Germany)	36,964	3,721
EUROPE (EX UK) TOTAL EQUITY		6,953
TOTAL INVESTMENTS		**378,420**

The number of investments in the portfolio is 50 (2020: 56).

*Quoted on the Alternative Investment Market in the UK.

Investments shown in italics are new additions to the portfolio during the year.

Manager's Investment Philosophy and Process

We believe investment markets can be inefficient and share prices may not fully reflect the future prospects and returns of companies. We believe it is possible to identify significant deviations between market prices and a conservative assessment of a business's intrinsic value.

By investing in such companies at attractive prices, superior investment performance can be generated. In particular, we believe that companies with the potential to compound returns at sustainably high rates over many years are frequently underestimated by the market initially, and are therefore undervalued. The valuations of companies can also become attractive because of adverse market reaction to short-term difficulties or simply because a sector has become unfashionable. If companies are able to generate attractive returns over long periods, there is evidence the market eventually rewards this success with higher valuations.

This philosophy leads naturally to long-term investment thinking and the generation and preservation of value over the longer term. We are not looking to trade shares, nor are we making short-term bets on market movements, but instead are looking to the longer term. Over time, we expect high corporate returns to be reflected in share prices, which will in turn benefit further from valuation increases as the market recognises the level and sustainability of those returns. As shareholders, we are part-owners of businesses, and take our responsibilities seriously, engaging with the company's management and non-executives if necessary, and voting on all resolutions at company meetings.

The Investment Process Focuses on Three Aspects for Each Company

Risk is often seen as the flipside of return. The standard economic and business academic approach to risk measures it in terms of volatility. Sharp upward moves in share prices are seen as just as "risky" as an equivalent downward move. This is not really a measure most practical investors would find useful or familiar. We prefer an approach which focuses on companies with attractive returns and relatively little debt where we expect to be able to reduce the risk of a permanent loss of capital.

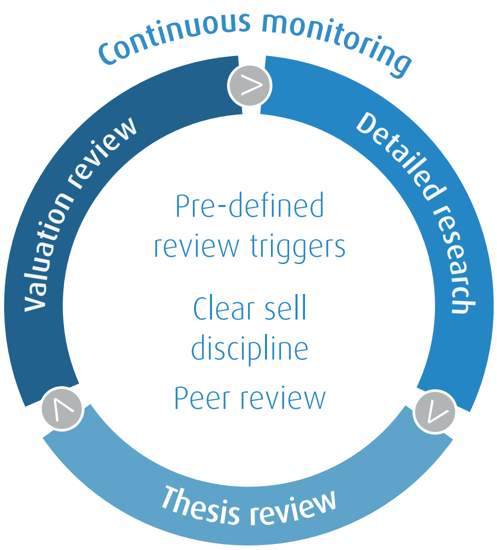
We carry out detailed analysis of all the companies in which we invest, looking in particular at three aspects: the Quality of the company; its Management; and the Valuation of the shares. Amongst the most important issues examined are a thorough assessment of the sustainability of the company's competitive position and the returns it can generate, and the ability of the management team and its alignment with shareholders. Integral to our assessment of these factors is an analysis of the Environmental, Social and Governance (**"ESG"**) issues that face the company and its responses to them. More detail on this is given on pages 24 to 27. Our valuation approach focuses on discounted cash flows but is pragmatic enough to realise this does not work for all companies in all sectors so other valuation methods are also used. Before buying, we ascertain the share price stands at a reasonable discount to an assessment of the intrinsic value of the business, giving us a margin of safety on the investment.

Our research is conducted in-house and is peer reviewed by the wider investment team prior to any purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. Subsequent to a purchase of the shares, the progress of the company and its share price will then be monitored regularly with in-depth reviews and retesting of the original investment thesis particularly if the company or its share price do not perform as initially expected.

Like all investors, we are having to make assessments about the future and take decisions in the face of uncertainty. There is a real possibility of being wrong. We believe that we can mitigate this risk by following this long-term philosophy, emphasising a number of factors: thorough analysis; peer review; the need for a margin of safety on purchase; continuous monitoring; and diversification of the investment portfolio. Reasons to sell can be driven by positive or negative factors: positive, if the value of the company has risen to our assessment of its value, or negative, if the assessment of the company's long-term value deteriorates significantly. An investment may also be sold if, for example, a similar, but cheaper alternative can be found or if the size of the investment position has become larger than is preferred for risk purposes.

Julian Cane
Fund Manager
24 November 2021

Implementation of the Investment Process



Sustainability and ESG

As stewards of £356 million of assets, we support positive change. The Company benefits from the Manager's leadership in this field and its £97 billion of assets under its management.

Our approach

Environmental, Social and Governance (**"ESG"**) issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance the Company aims to deliver to Shareholders. The Board is therefore committed to taking a responsible approach to ESG matters. There are two strands to this approach. The Company's own responsibilities on matters such as governance and the impact it has through the investments that are made on its behalf by its Manager.

The Company's compliance with the revised AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 40 to 42. In addition, the Principal Policies statement on pages 32 and 33 notes the Company's policies towards board diversity, integrity and business ethics, prevention of the facilitation of tax evasion and the Modern Slavery Act 2015.

The Board recognises that the most material way in which the Company can have an impact is through its responsible ownership of its investments. The Board has therefore appointed a manager that engages actively with the management of investee companies to encourage that high standards of ESG practice are adopted. The Manager has long been at the forefront of the investment industry in its consideration of these issues and has one of the longest established and largest teams focused solely on ESG.

Responsible ownership

Engaging actively with companies on significant ESG matters, to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms a fundamental part of the Manager's approach towards responsible investment. Engagement in the first instance rather than simply divesting or excluding investment opportunities is also part of this approach.

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies 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.

The Manager is also a signatory to the United Nations Principles for Responsible Investment (**"UNPRI"**) under which signatories contribute to the development of a more sustainable global financial system. As a signatory the Manager aims to incorporate ESG factors into its investment processes.

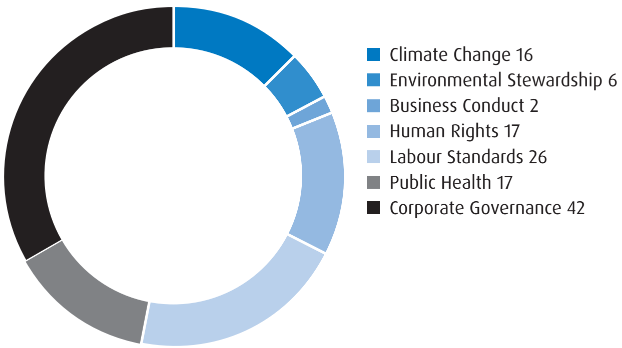
ESG and the investment process

ESG issues are an integral part of the Manager's investment process, forming part of the assessment of the Quality and Management criteria for possible and ongoing investments. The Manager's ESG teams work closely with the portfolio managers to create an internally generated assessment of the relevant ESG issues for each company. As part of the review process, the Manager will also note if the investment is aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at www.un.org/sustainabledevelopment/sustainable-development-goals/. The Manager's own ESG assessment is cross-referenced against external sources, for example MSCI ESG Research, to check it is comprehensive.

There are two main outcomes of this research. First, the research is used to initiate discussions with the investee company, to clarify the Manager's understanding of the issues involved, to create a dialogue and to encourage higher standards where appropriate. In this the Manager may join with other major investors in order to be a yet more powerful force to drive change. Secondly, it is used to adjust the Manager's assessment of the weighted average cost of capital for the investee company; this is an important component of the valuation model, such that companies with higher ESG standards will warrant a lower cost of capital and in turn a higher valuation, and vice-versa. In these ways, ESG affects each of the cornerstones of the investment process, Quality, Management and Valuation, as well as driving an ongoing dialogue between the Manager and the investee company.

Engagement

Issues raised with companies on engagement



Source: BMO Investment Business Limited

In the year under review, the Manager engaged with 31 investee companies held by the Company on a range of ESG topics as illustrated above.

As the global economy gradually began the process of reopening following the various COVID-19 lockdowns, a significant number of engagements focused on this area. Examples of topics discussed include worker rights, pay and protection, vaccine equality related issues and remuneration committees engaging shareholders on altered pay arrangements due to the pandemic. The sustainability of supply chains has also been an area of focus during the year. We spoke with companies about potential forced labour risks in global supply chains and set out our expectations for all companies to have robust human rights' due diligence processes in place in line with the UN Guiding Principles for Business and Human Rights, as well as enhanced due diligence for operations.

Engagement examples in the reporting period	
Compass	The Manager engaged the company on its response and plans to improve quality control following negative media coverage of its provision of food parcels to disadvantaged school children. The Manager met with operational specialists and subsequently followed up with the company at its annual shareholder meeting where it was able to ask senior management and the board for an update on the implementation of enhanced quality assurance procedures. The CEO was able to confirm that appropriate corrective actions had been taken and detailed its response during the meeting. The company's responsiveness to the allegation was welcomed. The Manager also noted the company's awareness of its broader responsibility to improve the nutritional value of school meal provisions.
Unilever	The Manager had two interactions with the company to discuss fair wages, including living wage, in the past two years. The Manager welcomed the work Unilever has done since 2011 to develop a robust and annually audited framework for fair compensation, which allowed it to fulfil its commitment to ensure a living wage for all its employees globally in 2020. At the same time, and as members of ShareAction's Good Work Coalition, through which investors engage on workforce issues, including living wage, diversity and inclusion, and job security, the Manager introduced to the company the Living Hours Standard, which provides workers with a contract with a guaranteed minimum of 16 hours a week. The Manager also had a constructive dialogue on ways to demonstrate the financial implications of living wages on the business case, beyond the general view that it has a positive effect on talent attraction and retention. Finally, the Manager argued that building on its existing efforts, a logical next step for Unilever would be to extend its commitment to paying a living wage from its own operations to its suppliers.
Royal Dutch Shell	The Manager had many interactions with Shell, both collaboratively through Climate Action 100+, an investor led initiative focusing on the largest greenhouse gas emitters, and Eumedion, which represents investors in Dutch listed companies, as well as individually. The Manager used these meetings to get a better understanding of the impact of the climate change strategy on the medium and long-term course of the company. The Manager also asked for more clarity around how the capital expenditure plan is aligned with the medium and long-term targets and for signposts that help assess the intermediate actions.

The Manager's strategic approach to engagement helps to achieve positive outcomes, or 'milestones', relating to the targets that have been set under each of the sustainable development goals. These are instances of change in company practice which they rank from one to three stars, three being the highest, based on their assessment of the importance of the change. Two examples of milestones achieved in the reporting period are set out below.

Milestone examples in the reporting period		
Unilever	★★	Committed not to work with any business, including suppliers of goods and services, that by 2030 does not pay its staff a living wage. This action can have positive consequences on talent and retention, and employee productivity across the supply chain over the long-term. We have engaged the company on both living wages and the related concept of living hours to drive both improved wages and minimum guaranteed working hours per week.
LondonMetric Property	★★	The company appointed an additional female independent non-executive director to the board, which now comprises of one-third female directors. Given the large size of the board we welcomed this appointment and encourage the company to continue to review its skills mix through a diversity lens going forward. We first engaged with the company on diversity in 2018.

Voting on portfolio investments

As noted previously, the Manager's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and reports at each meeting to the Board on its voting record. The Manager will vote on all investee company resolutions.

The Manager has long been an active and leading voice in support of robust corporate governance standards and environmental, social and business ethics practices for companies in all jurisdictions where the Manager invests. The Manager has supported, and in many cases led, the development of high standards of stewardship and recognises the UK Stewardship Code 2020 as a significant step in the further raising of those standards – indeed under the previous Code, the Manager was ranked in the highest tier.

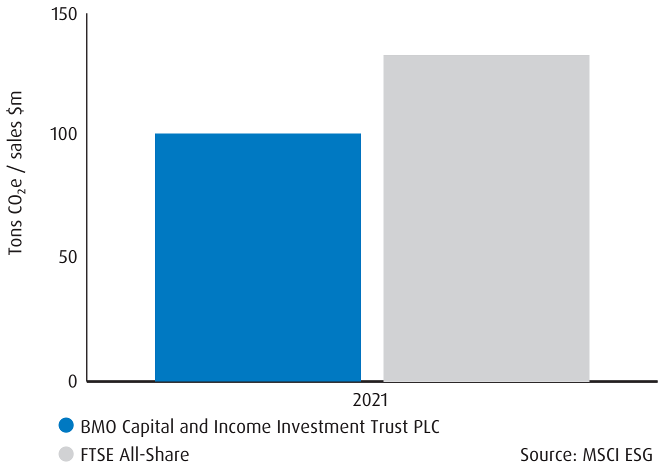
We expect the Company's shares to be voted on all holdings where possible. During the year, the Manager voted at 61 meetings of companies held in the Company. The Manager did not support management's recommendations on at least one resolution at approximately 28% of all meetings. With respect to all items voted, the Manager supported over 96% of all management resolutions. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, the Manager did not support 26% of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance.

Climate change

Of all the ESG issues the Manager considers, climate change is one of the most important both in terms of the scale of potential impact and in how widespread this impact could be across sectors and regions. The Company expects the Manager to incorporate considerations around climate change risks and opportunities in its investment processes.

In the adjacent table, the Company is disclosing the carbon footprint of its investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures. This measures the amount of greenhouse gas emissions produced by each investee company, per US$1m of revenue they generate. This is then aggregated for the Company as a whole, using the portfolio weights of the companies, and compared with the benchmark.

The carbon footprint is a measure of the carbon intensity of the companies the Company invests in. Whilst it does not provide a full picture of climate risks – since it does not, for instance, capture the innovation that companies may be undertaking to find solutions – it is a valuable starting point both for analysis and for shareholder dialogue. The table highlights that the Company's portfolio of investments is significantly less carbon intensive than its benchmark.



Source: MSCI ESG

Examples of corporate commitments in the reporting period

ESG issues present opportunities as well as risks. The Company has investments in a number of companies which the Manager has identified as being leaders in providing sustainable solutions, through the products and services they provide.

Leader example in the reporting period	
Coca Cola HBC	Has announced a commitment to achieving net zero emissions across its entire value chain by 2040.

2022

In 2022 the Manager will continue its engagement on climate change and its efforts on social issues in light of COVID-19 and the inequalities in society the pandemic has shone a spotlight upon. Alongside corporate governance matters, including board accountability and executive remuneration, inequality in all its forms will continue to play a significant part in engagement. Biodiversity concerns within certain sectors will also be factored into the Manager's voting policy for 2022.

Principal Risks and Future Prospects

The Board has carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks, the procedures in place to identify emerging risks and explain how they are being managed or mitigated.

The principal risks together with their mitigations are set out in the table below. The Board's processes for monitoring them and identifying emerging risks are set out on pages 46 and 47 and in note 21 to the accounts.

Since the beginning of 2020 the global economy has suffered considerable disruption due to the effects of the COVID-19 pandemic. The Directors continue to review the key risk register for the Company which identifies the risks that the Company is exposed to, the controls in place and the actions being taken to mitigate them.

The principal risks identified as most relevant to the assessment of the Company's future prospects and viability are detailed below.

Principal Risks	Mitigation
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. **No change in overall risk during the year.**	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. The Manager'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 taking into account revenue reserves.
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. **No change in overall risk during the year.**	The Board receives regular control reports from the Manager covering risk and compliance including oversight of third party service providers. The Board has access to the Manager's Risk Manager 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.
Inappropriate business or marketing strategy particularly in relation to investor needs or sentiment giving rise to a share price discount to NAV per share. **No change in overall risk during the year.**	To gauge investor sentiment, the Board holds a Shareholder satisfaction survey which is conducted every five years ahead of a vote on whether the Company should continue. The Board holds a separate annual meeting to consider the Company's strategy and performance together with opportunities and threats to its business. The appointment of the Manager is also reviewed annually in terms of sustainable long-term growth in capital and income which includes the growing recognition of the importance of the application of high standards of ESG practice. Share buybacks can be employed to help moderate discount volatility, while share issues can be made when the shares are trading at a premium. At each Board meeting the Directors receive an update on the marketing activities undertaken by the Manager. This includes details of the level of maturing Child Trust Funds and the decisions, if any, taken by their holders. The Company's Broker provides periodic updates to the Board relating to the Company's trading in the wider market.

Through a series of connected stress tests ranging from moderate to extreme scenarios and based on historical information, but forward looking over the five years commencing 1 October 2021, the Board assessed the risks of :

- 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 also took into consideration the perceived viability of its principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition. The Board's conclusions are set out under the Five-Year Horizon. A five-year period is considered to be a reasonable time frame for measuring and assessing medium to long term investment performance. A five-year period has also been selected as the shares may not be suitable for investors intending to hold them for less than that period.

Actions taken on Principal Risks in the year

The Company has outperformed its benchmark over the short, medium and long-term under Julian Cane, its Fund Manager for over 24 years.

The Board held a strategy meeting in September 2021 which considered, amongst other topics, investment performance and wider economic issues.

Following the onset of the COVID-19 pandemic home working arrangements were implemented at the Manager and many of the Company's key suppliers without any impact upon service delivery and operations. The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions including IT security. Supervision of third party service providers has been maintained by the Manager 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 Alternative Investment Fund Managers Directive ("AIFMD").

The Board agreed to the continuing appointment of the Manager, which has continued to deliver on the Company's objective.

At each Board meeting the marketing activities of the Manager are reported. This includes details of the level of Child Trust Funds reaching maturity and the decisions, if any, taken by their holders. To encourage the retention of these maturing funds, the Manager has introduced a Lifetime ISA and undertaken specific marketing targeted at holders of the maturing Child Trust Funds.

During the year 579,754 new shares were issued at a premium to NAV. In addition, the Company bought back for treasury 150,000 shares at a small discount. These were subsequently re-issued at a small premium. Since the year end three further share buybacks have occured. 122,819 shares have been bought back at a discount to be held in treasury. These actions moderated share price volatility and enhanced NAV per share for continuing Shareholders.

Five-Year Horizon

In accordance with the UK Corporate Governance Code, the Directors have assessed the future prospects of the Company over the coming five years. Factors that the Board considered were:

- 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 five-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 five 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 38.

The Board gave careful consideration to the impact of the COVID-19 pandemic and the resulting volatility in stockmarkets and economic disruption when making this assessment.

As discussed in note 20 to the Financial Report on page 71, the Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the NAV of the Company in the short to medium-term. The Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 22 November 2021, the last practicable date before publication of this report, borrowings amounted to £25 million. This is in comparison to a net asset value of £359 million. In accordance with its investment policy the Company is invested mainly in readily realisable, FTSE All-Share listed securities. These can be realised, if necessary, to repay the loan facility and fund the cash requirements for future dividend payments.

The Company operates within a robust regulatory environment. The Company retains title to all assets held by the Custodian. Cash is held with banks approved and regularly reviewed by the Manager. The Directors have noted that home working arrangements have been implemented at the Manager and many of the Company's key suppliers without any impact upon service delivery and operations.

Based on this assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, 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 five year period ending November 2026. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing these financial statements.

Promoting the Success of the Company
– Section 172 Statement

Under Section 172 of the Companies Act 2006, the Directors have a duty to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's Shareholders;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As explained on page 8, the Company is an externally managed investment company and has no employees, customers or premises. The key stakeholders are the Shareholders, the Manager, suppliers, regulators and service providers.

The Board believes that the optimum basis for meeting its duty to promote the success of the Company is by appointing and managing third parties with the requisite performance records, resources, infrastructure, experience and control environments to deliver the services required to achieve the investment objective and successfully operate the Company. By developing strong and constructive working relationships with these parties, the Board seeks to ensure high standards of business conduct are adhered to at all times and service levels are enhanced whenever possible. This combined with the careful management of costs is for the benefit of all Shareholders who are also key stakeholders.

The Company's primary working relationship is with the Manager. The portfolio activities undertaken by the Fund Manager and the impact of decisions taken are set out in the Fund Manager's Review on pages 10 to 13. On pages 24 to 27 information is provided on the Company's approach towards responsible investment. The Directors are supportive of the Manager's approach, which focuses on engagement with the investee companies on ESG issues and how this links with the United Nations Sustainable Development Goals (**"SDGs"**). Further information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of Shareholders, is set out on page 49.

Service providers such as, JP Morgan Chase Bank (**"the Bank and the Custodian"**), JP Morgan Europe Limited (**"the Depositary"**), Cenkos Securities (**"the Broker"**) and Computershare Investor Services PLC (**"the Registrar"**) are also considered key stakeholders. The Board receives regular reports from them and evaluates them to ensure expectations on service delivery are met.

The Directors value engagement with Shareholders. The Company's website www.bmocapitalandincome.com is available to all Shareholders and key decisions are announced to the London Stock Exchange through a Regulatory News Service. The Company holds an Annual General Meeting. In normal circumstances the Shareholders are invited to attend, and this provides an open forum for them to discuss issues and matters of concern with the Board and representatives of the Manager and the Company's advisors.

The Manager also engages with the Company's larger Shareholders and the outcome of these discussions are reported to the Board at the following Board Meeting. Shareholders are invited to communicate with the Board through the Chairman or Company Secretary. Alternatively, issues can be discussed with the Company's Senior Independent Director, who can be contacted at the Company's registered office address detailed on page 51.

The Company's Shareholders are always considered when the Board makes decisions and examples include:

Dividends

The Board is aware that dividend income is important to Shareholders and dividend growth is therefore a Key Performance Indicator of the Company. The onset of the COVID-19 pandemic has resulted in a reduction in the portfolio income the Company receives. The Directors have, however, been able to announce increased dividends for 2020 and 2021, maintaining the Company's "AIC Dividend Hero" status. Prudent stewardship in prior years combined with careful stock selection has given the Company distributable reserves providing some resilience to pay dividends in years when there is a shortfall in investment income. As part of the decision making process the Manager has provided the Board with estimates of dividend income for the forthcoming year and the estimated impact upon the distributable reserves of the Company.

Share issuance and buy-backs

Ensuring that liquidity is maintained for the Company's shares is important to Shareholders. The Company has issued 579,754 new shares during the year at a premium to NAV. In addition, the Company bought back for treasury 150,000 shares at a small discount. These were subsequently re-issued at a small premium. These actions moderated share price volatility.

Board succession planning

The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the revised AIC Code including guidance on tenure. With effect from 1 January 2021 Nicky McCabe was appointed to the Board. Clare Dobie retired from the Board on 14 July 2021 having served nine years. These changes allowed for the retirement of the Company's longest serving Director while maintaining an appropriate balance of skills and experience on the Board.

Retail investors

The Company's Shareholders are predominantly retail investors who invest through savings or execution-only platforms. A significant proportion invest through the BMO retail savings plans and the Board remains focused with the Manager on the optimal delivery of the Company's investment proposition for the benefit of all Shareholders. The Manager remains committed to its savings plans and its relationship with its customers and is investing significantly to improve digital capabilities, access and information for Shareholders through the savings plans.

Policy Summary

Investment

The Company is required to have a publicly stated investment objective and policy from which Shareholders, prospective investors and other stakeholders can understand the scope of its investment remit and constraints imposed under it. Any material changes to this objective and policy can only be made with the approval of Shareholders and the Financial Conduct Authority.

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 seeks to achieve this objective by identifying investments in companies which have good long-term prospects but whose share prices are depressed by adverse short term sentiment, either because of difficulties or because they are unfashionable. Many of the stocks purchased have a higher than average dividend yield.

Investment risk is reduced by investing mainly in listed companies. The majority of holdings are in large and mid-cap companies, although the Company also holds investments in smaller companies. At the year end the Company was invested in 50 holdings.

There are no maximum limits across sectors. The Company 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. No holding in an unquoted security should exceed 5% of the value of total assets at the time of investment and no more than five unquoted securities may be held in the portfolio at any one time.

The total value of its investments held outside the UK must not exceed 10% of the portfolio value 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 2021 was 92% and 6% respectively. Only 2% of the total portfolio was held outside the UK, all in continental European stocks.

No more than 10% of its total assets can be invested in other UK listed investment companies (including investment trusts) unless they themselves have stated they will invest no more than 15% of their total assets in other UK listed investment companies. Provided they have, the Company's limit becomes 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. The exposure arising from any futures contracts entered by the Company is included within the calculation of the 20% limit on cash and gearing.

The Board carries out due diligence with regard to the investment policy and underlying policies at each of its Board meetings receiving regular reports from the Fund Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting. The Fund Manager's Review on pages 10 to 13 provides an overview of the outcome from the application of the investment policy and the underlying policies during the course of the year.

Using its closed-ended investment company structure, the Company can borrow over short, medium or long-term periods within a range of 0 to 20% of net assets to enhance Shareholder returns. Gearing was a modest contributor to returns for the year under review. As at 30 September 2021 the Company had borrowings of £25 million. The Board monitors borrowing levels and covenant headroom at each Board meeting.

Dividend

The Company's revenue account is managed with the objective of continuing the Company's record of delivering a stable and growing dividend to Shareholders over time. Prudent use of long established revenue reserves is made whenever necessary to help meet any revenue shortfall. Dividends can also be paid from capital reserves.

The Board determines payments by taking account of timely income forecasts, brought forward distributable reserves, prevailing inflation rates, the dividend payment record and Corporation Tax rules governing investment trust status. Risks to the dividend policy have been considered as part of the Principal Risks and Future Prospects reviews noted on pages 28 to 29.

The consistent application of this policy has enabled the Company to pay an increased dividend every year since launch in 1992.

Premium/Discount

The Company issues any shares in order to satisfy Shareholder demand and to moderate any premium at which the shares have traded in relation to the NAV per share. When 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. The Board reviews the discount and premium levels at each meeting. The shares traded at an average discount of 1.6% throughout the year. The shares ended the year at a 2.0% discount. 579,754 shares were issued during the year ended 30 September 2021. In addition, the Company bought back for treasury 150,000 shares. These were subsequently re-issued. Since the year end the Company has bought back a further 122,819 shares to be held in treasury. Further details are provided on page 69.

Taxation

The policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines. It is essential that the Company always retains its investment trust tax status by complying with Section 1158 of the Corporation Tax Act 2010 (**"Section 1158"**) such that it does not suffer UK Corporation Tax on capital gains. In applying due diligence towards the retention of Section 1158 status and adhering to its tax policies, the Board receives regular reports from the Manager. The Company has received approval from HMRC as an investment trust under Section 1158 and has since continued to comply with the eligibility conditions. The Manager also ensures that the Company submits correct taxation returns annually to HMRC; settles promptly any taxation due; and claims back, where possible, all taxes suffered in excess of taxation treaty rates on non-UK dividend receipts.

Board diversity

The policy towards the appointment of non-executive directors is based on the Board's belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The policy is always to appoint the best person for the job and, by way of this policy statement, it is confirmed that there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people to deliver the objective. The policy is applied for the purpose of appointing individuals that, together as a Board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace. In achieving gender diversity, the Board composition of two men and three women Directors exceeds the target of 33% of women on FTSE 350 company boards by 2020 set under The Hampton-Alexander Review. This is the independent review body which aims to increase the number of women on FTSE 350 boards. The Board also notes the recommendations of the Parker Review Committee.

Integrity and business ethics

The Company applies a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of the Manager 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.

Prevention of the facilitation of tax evasion

The Company is committed to compliance with the UK's Criminal Finances Act 2017, designed to prevent tax evasion in the jurisdictions in which it operates. The policy is based on a risk assessment undertaken by the Board and professional advice is sought as and when deemed necessary.

Modern Slavery Act 2015

The Company is an investment company with no employees or customers and does not provide goods or services in the normal course of business. It has appointed the Manager to manage the investments, engage on ESG issues and to carry out administrative and secretarial services.

The Company's own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated. The Board therefore believes that the potential for acts of modern slavery or human trafficking in the Company's own environment is extremely low.

Jonathan Cartwright
Chairman
24 November 2021

Directors

Jonathan Cartwright, Chairman, was appointed to the Board on 26 November 2019 and was last re-elected by Shareholders on 16 February 2021. He became Chairman of the Company with effect from 1 April 2020. He is Chairman of Mobeus Income & Growth 4 VCT plc and a non-executive director of British Smaller Companies VCT PLC and Tennants Consolidated Limited. He was formerly Chairman of BlackRock Income and Growth Investment Trust PLC and The Income and Growth VCT PLC. He qualified as a chartered accountant with KPMG and thereafter held the role of group financial controller at Hanson PLC. He moved to Caledonia Investments PLC where he became Finance Director and retired in 2009 after 20 years' service.

Sharon Brown, Chairman of the Audit and Risk Committee. Appointed to the Board on 16 September 2013 and was last re-elected by Shareholders on 16 February 2021. She is a non-executive director and chair of the audit committees of European Opportunities Trust PLC, Celtic PLC and Baillie Gifford Japan Trust PLC. She is also a director of a number of limited companies in the retail sector. She was previously a non-executive director and Chair of the Audit Committees of McColls Retail Group PLC and Fidelity Special Values PLC. 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.

Jane Lewis was appointed on 24 November 2015 and was last re-elected by Shareholders on 16 February 2021. She is Chairman of Invesco Perpetual UK Smaller Companies Investment Trust PLC and a non-executive director of BlackRock World Mining Trust PLC, Majedie Investments 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.

Nicky McCabe, Chairman of the Management Engagement Committee. Appointed to the Board on 1 January 2021 and was elected by Shareholders on 16 February 2021. Nicky has extensive sector experience as she was formerly Head of Product and Investment Trusts at Fidelity International as well as a director and Chief Operating Officer of a number of Fidelity companies. Nicky is currently a non-executive director of Aberdeen Asian Income Fund Ltd, Artemis Investment Management Limited and Vitality Life Insurance.

Tim Scholefield, Senior Independent Director, was appointed to the Board on 25 November 2014 and was last re-elected by Shareholders on 16 February 2021. He is Chairman of Invesco Bond Income Plus Ltd and a non-executive director of Fidelity Asian Values PLC and Abrdn UK Smaller Companies Growth Trust PLC. He has 30 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 Management Engagement Committee and the Nomination Committee.

All Directors with the exception of Jonathan Cartwright are members of the Audit and Risk Committee.

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 September 2021. The Directors' biographies, Corporate Governance Statement; the Report of the Nomination Committee; the Directors' Remuneration Report; the Report of the Audit and Risk Committee Report and the Report of the Management Engagement Committee form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that following advice from the Audit and Risk 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 Risk Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on page 13. Principal risks can be found on page 28 with further information on page 72.

Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM (**Resolution 1**).

Results and dividends

The results for the year are set out in the attached accounts. The Company's dividend payments are set out below.

Dividends paid in the year ended 30 September 2021	
	£'000s
Fourth of four interims for the year ended 30 September 2020 of 3.75p per share	4,007
First of four interims for the year ended 30 September 2021 of 2.65p per share	2,837
Second of four interims for the year ended 30 September 2021 of 2.60p per share	2,790
Third of four interims for the year ended 30 September 2021 of 2.60p per share	2,790
	12,424

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.75 pence per share. This will be paid on 16 December 2021 to Shareholders on the register on 3 December 2021. This dividend, together with the other three interim dividends paid during the year makes a total dividend of 11.60 pence per share. This represents an increase of 0.9% over the 11.50 pence per share paid in respect of the previous year.

As dividends are paid quarterly in March, June, September and in 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 2)**.

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

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

The Company is exempt from Streamlined Energy and Carbon Reporting Disclosures as it has consumed less than 40,000 Kwh of energy in the United Kingdom during the year.

Taxation

As set out on page 33 and in note 7 to the accounts as an investment trust, 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 Corporation Tax Act 2010. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Accounting and going concern

The financial statements, starting on page 57, 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"**). The significant accounting policies of the Company are set out in note 2 to the accounts. The unqualified auditor's opinion on the financial statements appears on pages 52 to 56. As discussed in the Five Year Horizon on page 29 and note 20 to the financial statements on page 71, additional considerations were given to assessing the applicability of the going concern basis of accounting this year. The COVID-19 pandemic has resulted in increased volatility in financial markets and economic disruption. When assessing going concern the Directors have therefore considered this in addition to the Company's objective, strategy and policy, its current cash position, the availability of its loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

The Board has considered the impact of falls in the NAV of the Company and the ability of it to meet its banking covenants. The primary risk is that there is a very substantial decrease in the NAV of the Company in the short to medium term. The Board considers that the possibility of a fall of this magnitude is remote. In addition, the Company has remedial measures if such a covenant breach appeared possible.

The Directors have also noted that the operational resilience of the Company has not been affected by the switch to home working arrangements by many of its service providers.

Further details on this assessment are provided on pages 29 and 71.

Based on this assessment, and in light of the controls and monitoring processes that are in place, 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. 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 "Five-Year Horizon" Statement on page 29.

Capital structure

As at 30 September 2021 there were 107,289,022 ordinary shares of 25 pence each in issue. As at 22 November 2021 (being the latest practicable date before publication of this report) the number of ordinary shares in issue was 107,289,022 including 122,819 shares held in treasury.

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 15 to 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 16 February 2021 Shareholders renewed the Board's authority to issue 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 three separate occasions in the year under review. A total of 579,754 shares with a nominal value of £144,939 were issued in a range between 262.0 pence and 314.3 pence and at an average price of 292.0 pence for a total consideration of £1,694,000 before the deduction of issue costs.

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 16 February 2021 Shareholders gave the Board authority to buy back ordinary shares up to 14.99% of the number then in issue. During the year under review 150,000 shares were purchased in two tranches and held in treasury. The price paid ranged from 292.00 pence to 301.00 pence. These shares were subsequently re-issued at a premium of £29,000.

Since the year end to the date of this report 122,819 ordinary shares have been bought back and are currently held in treasury.

Voting rights

At 22 November 2021 the Company had 107,289,022 ordinary shares in issue including 122,819 shares held in treasury. Total voting rights were 107,166,203. As at that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Borrowings and financial risk management

The Company has a one-year multicurrency revolving facility agreement of up to £40 million with The Bank of Nova Scotia, London Branch (**"Scotiabank"**) expiring in March 2022. The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates. It is anticipated that a replacement facility will be entered into upon the expiry of the current facility.

Details of the financial risk management of the Company are provided in note 21 beginning on page 72. An ongoing overdraft arrangement is available to the Company by the Custodian for settlement of investment trades if necessary.

Remuneration Report

The Directors' Remuneration Report, which can be found on pages 44 and 45, provides detailed information on the remuneration arrangements for Directors of the Company including the Directors' Remuneration Policy. Shareholders are asked to approve the policy at an AGM every three years. There have been no changes to the policy since approval by Shareholders in 2020. Remuneration is set 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.

It is intended that this policy will continue for the three-year period ending at the AGM in 2023. Shareholders will also be asked to approve the Remuneration Report (**Resolution 3**).

As detailed on page 44 the fees are reviewed each year. Following this review, the Directors have agreed that the annual remuneration of the Chairman will increase from £37,000 to £38,500, the Chairman of the Audit and Risk Committee from £30,000 to £31,000, the Senior Independent Director from £26,000 to £27,000 and other Directors from £24,500 to £25,500. These increases were effective from 1 October 2021. The previous increase to Directors' annual remuneration occurred on 1 October 2019.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £250,000 per annum.

Director re-elections

The names of the Directors, along with their biographical details, are set out on page 34. All Directors will seek re-election at the forthcoming AGM. Following a review of their performance, the Board believes that each of the Directors standing for re-election has made a valuable and effective contribution to the Company. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below. The Board recommends that Shareholders vote in favour of the re-elections of the Directors (**Resolutions 4 to 8**).

Resolution 4 relates to the re-election of Jonathan Cartwright who has served two years. With effect from 1 April 2020 Jonathan has been Chairman of the Company. Jonathan has a strong accounting and financial background having held the office of Finance Director at Caledonia Investments PLC where he spent much of his career. He also brings strong leadership skills through senior roles including the Chairmanship of a number of investment and venture capital trusts.

Resolution 5 relates to the re-election of Sharon Brown who has served over eight years and has a strong accounting and financial background. Sharon holds directorships of other companies and investment trusts including the role of Chairman of a number of Audit Committees. She was Finance Director and Company Secretary of Dobbies Garden Centres PLC.

Resolution 6 relates to the re-election of Jane Lewis who has served six years. She has extensive sector experience through her career in investment company corporate broking at Winterflood and business development at leading investment trust houses. She holds a number of investment trust directorships including as Chairman.

Resolution 7 relates to re-election of Nicky McCabe who was appointed to the Board on 1 January 2021. Nicky has extensive sector experience as she was formerly Head of Product and Investment Trusts at Fidelity International as well as a director and Chief Operating Officer of a number of Fidelity companies. Nicky is currently a non-executive director of Aberdeen Asian Income Fund Ltd, Artemis Investment Management Limited and Vitality Life Insurance.

Resolution 8 concerns the re-election of Tim Scholefield who has served seven years and brings in-depth investment knowledge, expertise and experience in investment management, particularly in equities. He holds a number of other investment trust directorships, including as Chairman.

Directors' interests and indemnification

There were no contracts 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.

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 BDO 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 BDO LLP is aware of that information.

Appointment of auditor and auditor's remuneration
The auditor of a company has to be appointed at each Annual General Meeting at which accounts are laid before Shareholders. BDO LLP has expressed its willingness to continue in office as auditor and resolutions proposing its re-appointment and for the Audit and Risk Committee to determine its remuneration for the current financial year will be submitted at the AGM. Shareholders will be asked to approve these resolutions. (**Resolutions 9 and 10**).

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 the Manager 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 safekeeping 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 to the accounts).

Subsequent Events
Subsequent to the year end, on 8 November 2021 Columbia Threadneedle, the global asset management business of Ameriprise Financial, Inc. announced the completion of the acquisition of the European, Middle Eastern and African asset management business of BMO.

AGM
The Notice of AGM to be held on 10 March 2022 is set out on pages 80 to 82.

Authority to allot shares and sell shares from treasury (resolutions 11 and 12)
Resolutions 11 and **12** 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 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2023 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £2,679,155 (10,716,620 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 22 November 2021 excluding shares held in treasury.

Resolution 12 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 £2,679,155 (representing approximately 10% of the issued ordinary share capital of the Company at 22 November 2021 excluding shares held in treasury) and amounting to 10,716,620 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 pages 32 and 33 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 22 November 2021 122,819 ordinary shares were held by the Company in treasury.

Authority for the Company to purchase its own shares (resolution 13)

Resolution 13 authorises the Company to purchase up to a maximum of 16,064,213 ordinary shares (equivalent to approximately 14.99% of the issued share capital excluding shares held in treasury) 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.

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.

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 12:30pm on 3 March 2022, 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
24 November 2021

Corporate Governance Statement

Introduction

The Board adheres to the principles and recommendations of the revised AIC Code of Corporate Governance (the **"AIC Code"**) published in 2019.

The Board believes that the Company has complied with the current recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions set out below, has thereby complied with the relevant provisions of the 2018 revision to the UK Corporate Governance Code (**"UK Code"**):

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 Company, as it is 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 or the need for a Remuneration Committee. Therefore, with the exception of the need for an internal audit function, which is addressed on page 47, the Company has not reported further in respect of these provisions.

Detailed information on the Directors' Remuneration can be found in the Directors' Remuneration Report on pages 44 and 45 and in note 5 to the accounts.

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

AIFMD

The Company is defined as an Alternative Investment Fund (**"AIF"**) under the AIFMD issued by the European Parliament, and which has been implemented into UK law. This requires that all AIFs must appoint a Depositary and an Alternative Investment Fund Manager (**"AIFM"**). The Board remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Manager is the Company's AIFM.

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's responsibilities are outlined on page 50. More specifically, 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 also 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. The Board normally meets at least four times a year and also holds a strategy meeting. At each meeting, the Board 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. Committees of the Board met during the year to undertake business such as the approval of the Company's final 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.

Meeting attendance – year ended 30 September 2021

	Board	Audit and Management Engagement Committee(1)	Nomination Committee
No. of meetings			
Jonathan Cartwright	8	3	1
Sharon Brown	8	3	1
Clare Dobie(2)	6(2)	3	1
Jane Lewis	8	3	1
Nicky McCabe(3)	7(3)	2(3)	N/A(3)
Tim Scholefield	8	3	1

(1) Renamed Audit and Risk Committee on 16 September 2021
(2) All meetings attended prior to retirement on 14 July 2021
(3) All meetings attended since appointment on 1 January 2021

At the Annual General Meeting held on 16 February 2021 all Directors attended the online investor presentation. Three Directors attended the closed formal business of this meeting.

The Board also held two committee meetings during the year.

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 pages 38 and 39.

Appointments

Under the articles of association of the Company, the number of Directors on the Board cannot exceed ten. An induction process takes place for new appointees and all Directors are encouraged to attend relevant training courses and seminars. 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 at the next Annual General Meeting. All Directors will stand for re-election by Shareholders annually.

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. 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.

Independence of Directors

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of the individual Directors. All the Directors have been assessed by the Board as remaining independent of the Manager and of the Company itself; none has a past or current connection with the Manager and each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement.

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 2021 when it was concluded that in each case these situational conflicts had not affected any individual in their 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.

Relations with shareholders

The Company welcomes the views of Shareholders and places importance on communication with its members. The Managers hold meetings with the Company's largest Shareholders and report back to the Board on these meetings. In normal circumstances, each year, the Company will hold an Annual General Meeting to be followed by a presentation by the Fund Manager in London.

In accordance with the UK Code, in the event that when votes of 20 per cent or more have been cast against a resolution at a General Meeting the Company will announce the actions it intends to take to consult Shareholders to understand the reasons behind the result. A further update will be published within six months. No such votes were received during 2021.

Tim Scholefield has been appointed Senior Independent Director. The Senior Independent Director is available to Shareholders if they have concerns which initial contact through the Chairman or Company Secretary has failed to resolve or for which such contact is inappropriate. Shareholders wishing to communicate with the Chairman or other members of the Board may do so by writing to BMO Capital and Income Investment Trust PLC, Exchange House, Primrose Street, London EC2A 2NY.

By order of the Board
BMO Investment Business Limited
Secretary
24 November 2021

Report of the Nomination Committee

Role of the Nomination Committee ("the Committee")

The Committee met once during the year. Its primary role is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. Its responsibilities include:

- 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;
- tenure policy;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment;
- the reappointment of those Directors standing for re-election at Annual General Meetings;
- the attendance and time commitment of the Directors in fulfilling their duties, including the extent of their other directorships;
- the question of each Director's independence prior to publication of the Report and Accounts; and
- the authorisation of each Director's situational conflicts of interests in accordance with the provisions of the Act and the policy and procedures established by the Board in relation to these provisions.

Composition of the Committee

All of the Directors are members of the Committee. The terms of reference can be found on the website at bmocapitalandincome.com.

Succession planning

Appointments of all new Directors are made on a formal basis, normally using independent, professional search consultants, with the Nomination Committee agreeing the selection criteria and the method of recruitment, selection and appointment.

As part of an orderly succession plan, Clare Dobie retired from the Board on 14 July 2021. Clare Dobie, who was the Company's Senior Independent Director had served on the Board for nine years. Following Clare Dobie's retiral Tim Scholefield became Senior Independent Director.

As a further part of this plan a search company was commissioned to find a new director for the Board. Following a thorough selection process Nicky McCabe was appointed to the Board with effect from 1 January 2021. Nicky McCabe has extensive sector experience as she was formerly Head of Product and Investment Trusts at Fidelity International as well as a director and Chief Operating Officer of a number of Fidelity companies.

Diversity and tenure

The Board's diversity policy, objective and progress in achieving it are set out on page 33. In normal circumstances the Chairman and Directors are expected to serve for a nine-year term, but this may be adjusted for reasons of flexibility and continuity.

Committee evaluation

The activities of the Nomination Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 41. The conclusion from the process was that the Committee was operating effectively, with the right balance of membership, experience and skills.

Nomination and Remuneration Committee

With effect from 1 December 2021 the Committee will be renamed the Nomination and Remuneration Committee. In addition to its current role it will have responsibility for recommending to the Board amendments to the annual remuneration of Directors. With effect from 1 December 2021 the Chairman of the Committee will be Jane Lewis.

Jonathan Cartwright
Chairman of the Nomination Committee
24 November 2021

Directors' Remuneration Report

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 30 September 2021. This report sets out the Company's forward looking Directors' Remuneration Policy and the Remuneration Report which describes how this policy has been applied during the year. I would welcome any comments you may have.

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 last approved by Shareholders in February 2020 with 93.1% voting in favour and 6.9% against. The policy will next be put to Shareholders for renewal at the AGM to be held in 2023. 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 £250,000 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, quarterly in arrears. The fees are reviewed each year. Following this review the Board agreed that the annual remuneration of the Chairman will increase from £37,000 to £38,500, the Chairman of the Audit and Risk Committee from £30,000 to £31,000, the Senior Independent Director from £26,000 to £27,000 and other Directors from £24,500 to £25,500. These increases were effective from 1 October 2021. The previous increase to Directors' annual remuneration occurred on 1 October 2019.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company. 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 dates on which each Director was appointed to the Board and was last re-elected by Shareholders are set out on page 34. Each Director's appointment is subject to election at the first Annual General Meeting and continues thereafter subject to re-election at each subsequent Annual General Meeting. The appointment can be terminated on one month's notice. All the Directors will stand for re-election at the AGM on 10 March 2022.

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

Annual fees for Board Responsibilities	2022 £'000s	2021 £'000s
Chairman	38.5	37.0
Director	25.5	24.5
Senior Independent Director	27.0	26.0
Audit and Risk Committee Chairman	31.0	30.0

Directors' Shareholdings

At 30 September	2021		2020	
	Number of shares held (audited)	Market value £	Number of shares held (audited)	Market value £
Jonathan Cartwright	6,218	20,209	nil	nil
Sharon Brown	1,500	4,875	1,500	3,735
Jane Lewis	3,095	10,059	3,095	7,707
Nicky McCabe*	3,420	11,115	N/A	N/A
Tim Scholefield	8,500	27,625	8,500	21,165

As at 30 September 2021 the Shareholding of the Company's fund manager, Julian Cane, was 313,437 shares with a value of £1,018,670.

The Company's register of Directors' interests contains full details of Directors' shareholdings.
*Appointed 1 January 2021.

There have been no changes in any of the Directors' shareholdings detailed above between 30 September 2021 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 2020. 96.2% of votes were cast in favour of the resolution and 3.8% against.

Directors' remuneration report

The Directors who served during the year received the following amounts for services as non-executive Directors for the years ended 30 September 2021 and 2020 and can expect to receive the fees indicated for 2022 as well as reimbursement for expenses necessarily incurred.

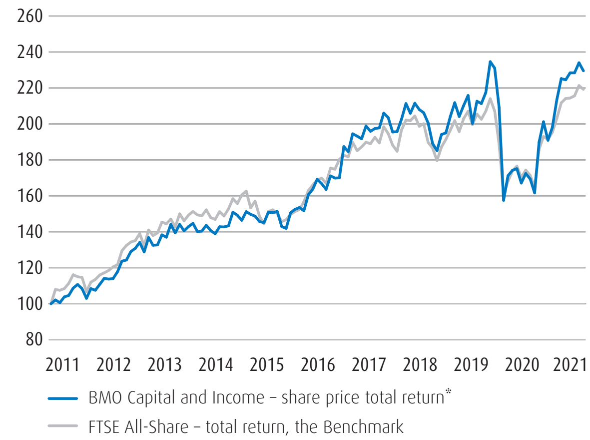
Fees for services to the Company (audited)

	Fees £'000s (audited)			Taxable Benefits(1) £'000s (audited)			Total £'000s (audited)			Anticipated Fees(2) £'000s
Director	**2021**	**2020**	**% change**	**2021**	**2020**	**% change**	**2021**	**2020**	**% change**	**2022**
Jonathan Cartwright(3)	37.0	27.0	37.0	-	-	-	37.0	27.0	37.0	38.5
Steven Bates(4)	n/a	18.5	n/a	n/a	-	n/a	n/a	18.5	n/a	n/a
Sharon Brown	30.0	30.0	-	0.5	3.7	(86.5)	30.5	33.7	(9.5)	31.0
Claire Dobie(5)	20.5	26.0	(21.2)	0.1	0.6	(83.3)	20.6	26.6	(22.6)	n/a
Jane Lewis	24.5	24.5	-	0.3	0.4	(25.0)	24.8	24.9	(0.4)	25.5
Tim Scholefield(6)	24.9	24.5	1.6	-	-	-	24.9	24.5	1.6	27.0
Nicky McCabe(7)	18.4	n/a	n/a	-	n/a	n/a	18.4	n/a	n/a	25.5
Total	155.3	150.5	3.2	0.9	4.7	(80.9)	156.2	155.2	0.6	147.5

(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 2022. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Appointed Chairman on 31 March 2020.
(4) Retired on 31 March 2020.
(5) Retired on 14 July 2021.
(6) Appointed Senior Independent Director on 14 July 2021.
(7) Appointed as a Director with effect from 1 January 2021.

The information in the above table for the years 2020 and 2021 has been audited.

Shareholder total return vs Benchmark total return over ten years (rebased to 100 at 30 September 2011) (%)



Source: BMOGAM & Refinitiv Eikon
*See Alternative Performance Measures on pages 85 and 86.

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

Relative importance of pay

Actual Expenditure Year ended 30 September	2021 £'000s	2020 £'000s	% Change
Aggregate Directors' fees	155.3	150.5	3.2
Management and other expenses(1)	1,979.0	1,803.0	9.8
Dividends paid to Shareholders(2)	12,424.0	12,024.0	3.3

(1) Includes Directors' remuneration.

(2) The aggregate dividend figure is higher than the percentage increase in the dividend rate over 2020 as share issues increase the number of shares in issue that are entitled to payment. See note 9 to the accounts for further details.

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 2021 is given in the Chairman's Statement and Fund Manager's Review.

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

On behalf of the Board
Jonathan Cartwright
Chairman
24 November 2021

Report of the Audit and Risk Committee

The primary responsibilities of the Audit and Risk 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 41. The Trust Accountant, the Fund Manager and Risk Managers of the Manager were invited to attend certain meetings to report on relevant matters. The external auditor, BDO LLP, attended two of the committee meetings and also met in private session with the Committee Chairman.

Prior to 16 September 2021 the Committee was known as the Audit and Management Engagement Committee. On that date the Board constituted a separate Management Engagement Committee which assumed several duties previously undertaken by the Committee. Further details are provided in the Report of the Management Engagement Committee on page 49.

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 BDO LLP;
- The policy on the engagement of the external auditor 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 the Manager, the Custodian, Depositary and a due diligence report from the Company's share registrar; 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 considered by the Committee and recommendations were then made to the Board as appropriate.

Throughout the preparation processes for both the interim report for the six month period ended 31 March 2021 and the annual report for the year ended 30 September 2021 the Committee has considered the impact of the COVID-19 pandemic upon the risks, operations and accounting basis of the Company.

As noted within Principal Risks and Future Prospects on page 28 the Directors have reviewed the risk register of the Company.

The Committee has noted that home working arrangements have been implemented at the Manager and many of the Company's key suppliers without any impact upon service delivery and operations.

Mindful of the guidance issued by the Financial Reporting Council, when assessing going concern the Directors have considered this in addition to taking note of the Company's objective, strategy and policy, its cash position, availability of the loan facility and the operational resilience of its service providers. Further analysis of the application of the going concern principle is detailed in note 20 to the Financial Report.

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 50. On broader control policy issues, the Committee has reviewed, and is satisfied with, the Manager's Code of Conduct and to the Anti-Bribery and Anti-Corruption Operating Directive (the **"Directive"**) to which the Manager and its employees are subject. The Committee has also reviewed the Manager'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. Prior to 16 September 2021 all Directors were members of the Committee. With effect from 16 September 2021, and in accordance with developing Corporate Governance best practice, the Chairman is not a member of the Committee. It is, however, anticipated that the Chairman will be invited to attend. 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 other investment trust companies. 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

The Manager'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 register is produced by the Manager 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 28 with additional information given in note 21 to the accounts. The integration of these risks into the analyses underpinning the "Five-Year Horizon" Statement on page 29 was fully considered and the Committee concluded that the Board's statement was soundly based.

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 the Manager. 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 the Manager. 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 Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2020 (the **"ISAE/AAF Report"**) and subsequent confirmation from the Manager that there had been no material changes to the control environment since this date. This had been prepared by the Manager 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 the Manager'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 the Manager'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 the Manager'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 the Manager. 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 the Manager 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 the Manager, 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 2021 external audit. The table on the next page describes the significant judgements and issues considered by the Committee in conjunction with BDO LLP 'the Company auditor' in relation to the financial statements for the year and how these issues were addressed. The Committee also

Significant Judgements and issues considered by the Committee in 2021	
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 the Manager's ISAE/AAF Report for the year ended 31 October 2020, 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. The Manager 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 53.
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 the Manager's ISAE/AAF Report for the year ended 31 October 2020, 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 2021, 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 2021, were also reviewed and agreed as being satisfactory.
Income Recognition	
Incomplete or inaccurate income 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 the Manager'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 53.

included in their review the areas of judgements and estimates referred to in note 2c(xiv) to the accounts.

The Committee met in November 2021 to discuss the draft Report and Accounts, with representatives of BDO LLP and the Manager in attendance. BDO LLP submitted their Year-End report to the Committee and confirmed that they anticipated issuing an unqualified audit opinion in respect of the Report and Accounts. The Committee established that 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 52 to 56.

Auditor assessment and independence

The Committee has been satisfied with the effectiveness of BDO LLP's performance on the audit of the Company's accounts. BDO LLP has confirmed its independence of the Company and has complied with relevant auditing standards. In evaluating BDO LLP, the Committee took into consideration the standing, skills and experience of the firm and the audit team and also took note of BDO LLP's audit performance through the FRC's Audit Quality Review. The fee for the audit was £27,000 (2020: £26,000) as shown in note 5 to the accounts.

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 audit fee paid over the last three consecutive years.

There were no non-audit services for the year ended 30 September 2021.

Sharon Brown
Chairman of the Audit and Risk Committee
24 November 2021

Report of the Management Engagement Committee

Role of the Management Engagement Committee ("the Committee")

The Committee was constituted by the Board on 16 September 2021. Prior to that date the role of the Committee was undertaken by the Audit and Management Engagement Committee.

Nicky McCabe was appointed by the Board as Chairman of the Committee on 16 September 2021.

The primary role of the Committee is to review annually the performance of and the fee paid to the Manager for the services it provides under the management agreement together with the terms of the agreement. As part of this process it receives reports on any services delegated by the Manager to outsourced service providers. The Committee considers any extra charges and services proposed by the Manager in addition to the management fees.

The Committee reviews annually the performance of all service providers to the Company and monitors fees payable to them. It will make any necessary recommendations to the Board.

Composition of the Committee

All of the Directors are members of the Committee. The terms of reference can be found on the website at bmocapitalandincome.com.

Manager and supplier evaluation process

Investment performance is considered by the Board at every meeting, with the formal annual evaluation undertaken by the Committee including the wider services provided by the Manager. In evaluating the performance, the 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. For the purposes of its ongoing monitoring, the Board had received detailed reports and views from the Fund Manager on investment policy, asset allocation, gearing and risk. The Board had also received comprehensive performance measurement schedules, provided by Refinitiv Eikon and the Manager. These enabled it to assess: the success or failure of the management of the portfolio against the performance objectives set by the Board; the sources of positive and negative contribution to the portfolio in terms of gearing, asset allocation and stock selection; and the risk/return characteristics. The Committee also monitors the level of the Manager's fee, the service provided by the Manager including any impact following its recent acquisition by Columbia Threadneedle and the service and fees of all of its third-party service providers.

Manager reappointment

The annual evaluation that took place in November 2021 included a presentation from the Manager's Head of Investment Trusts. The NAV and share price total returns had outperformed the Benchmark over the short, medium and longer term. The Manager continued to commit the necessary resources in all areas of their responsibilities, including ESG, marketing and administrative services towards the achievement of the Company's objective. The Committee met in closed session following the presentation and concluded that in its opinion, in the light of strong investment performance and the quality of the overall service provided, the continuing appointment of the Manager on the terms agreed was in the interests of Shareholders as a whole. The Board ratified this recommendation.

Nicky McCabe
Chairman of the Management Engagement Committee
24 November 2021

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 the Manager. 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 34 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
Jonathan Cartwright
Chairman
24 November 2021

Management and Advisers

The Manager

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 Ameriprise Financial, Inc. 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 the Manager, has managed the Company's investments since March 1997. He joined the Manager in 1993.

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

Scott McEllen Represents the Manager as Company Secretary and is responsible for the Company's statutory compliance. He joined the Manager in 2007.

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The Secretary and the Company's Registered Office

BMO Investment Business Limited
Exchange House
Primrose Street
London EC2A 2NY

Telephone: 020 7628 8000
Website: bmocapitalandincome.com
Email: info@bmogam.com

The Auditors

BDO LLP
55 Baker Street
London W1U 7EU

The Bank

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

The Custodian

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

The Depositary

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

The Registrars

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

Telephone: 0370 889 4094

The Legal Counsel

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

The Broker

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

Independent Auditors' Report

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BMO Capital and Income Investment Trust plc (the **'Company'**) for the year ended 30 September 2021 which comprise the Income Statement, Statement of Changes in Equity, the Balance Sheet, Statement of Cash Flows and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were reappointed by the shareholders at the annual general meeting of the Board of Directors on 16 February 2021 to audit the financial statements for the year ended 30 September 2021. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 30 September 2020 to 30 September 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- evaluating the appropriateness of Directors' method of assessing going concern in light of market volatility and the present uncertainties due to COVID-19;
- assessing the liquidity position of the investment portfolio available to meet the future obligations and operating expenses for the next twelve months;
- reviewing the forecasted cash flows that support the Directors' assessment of going concern and challenging management's assumptions and judgements made in the forecasts, assessing them for reasonableness. In particular we considered the available cash resources relative to the forecast expenditure and ability to meet Investment Trust status;
- obtaining the loan agreements and covenant calculations and assess the likelihood of covenants being breached based on management forecasts and sensitivity analysis.

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

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

Overview		2021	2020
Key audit matters	Valuation and ownership of quoted investments	✓	✓
	Revenue Recognition	✓	✓
Materiality	**Overall materiality** £3,500,000 based on 1% of Net Assets (2020: £2,600,000) **Specific materiality** £571,000 based on 5% (2020: 10%) of net revenue returns attributable to equity shareholders before finance costs and tax (2020: £890,000). We applied specific materiality to the items impacting the revenue returns to the shareholders.		

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

An overview of the scope of our audit

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was 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 this matter.

Key Audit Matter	How the scope of our audit addressed the key audit matter
Valuation and ownership quoted of investments (Page 62 and note 10)	
The investment portfolio at the year-end comprised of investments at fair value through profit or loss with a total fair value of £378m. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance. There is a potential risk of misstatement in the investment valuations and therefore we considered valuation and ownership of investments to be a key audit matter.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of quoted investments. We performed the following procedures: • Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we consider management's assessment of the valuation of quoted investments to be supported by the audit evidence obtained and we did not note any issues relating to the ownership of the investments.
Revenue Recognition (Page 62 and note 3)	
Dividend income arises from the investment portfolio and is a key factor in demonstrating the performance of the portfolio. Revenue recognition is considered a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining the allocation of income to revenue or capital.	We performed the following procedures: • We derived our own expectation of total expected income based on the investment holding and records of distributions from independent sources. • We cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as revenue or capital. • We analysed the population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represented a particularly high yield and investigated the underlying basis of those distributions. • We traced a sample of dividend income received through from the nominal ledger to bank. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to the revenue recognition.

Our application of materiality

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

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

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

Company financial statements	2021 £	2020 £
Materiality	3,500,000	2,600,000
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, the net asset value is a key measure for users of the financial statements.	As an investment trust, the net asset value is a key measure for users of the financial statements.
Performance materiality	2,600,000	1,800,000
Basis for determining performance materiality	Performance materiality was set at 75% of total materiality as this is the recurring audit. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	Performance materiality was set at 70% of total materiality as this is the first year on the audit. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

- **Specific Materiality**

We also determined that for items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £571,000 (2020: £890,000) based on 5% (2020: 10%) of net revenue returns attributable to equity shareholders before finance costs and tax. We used lower percentage for the calculation of the specific materiality this year to better focus our work on items that we considered to be of most importance to the users of the financial statements. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

- **Reporting threshold**

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70,000 (2020: £45,000). We also set a separate reporting threshold of £11,000 for the testing of transactions and balances that impact on the revenue return. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

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

Other Companies Act 2006 reporting

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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. These included but were not limited to compliance with Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP and FRS 102. We also considered the company's qualification as an Investment Trust under UK tax legislation. We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the significant fraud risk area to be management override of controls. We also considered the valuation of investments and revenue recognition to be areas which could be subject to material misstatement and these are covered in the Key audit matters section above.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance;
- testing of journal postings, on a sample basis based on a defined risk criteria, made during the year to identify potential management override of controls;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
24 November 2021

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

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	2021 Revenue £'000s	2021 Capital £'000s	2021 Total £'000s	2020 Revenue £'000s	2020 Capital £'000s	2020 Total £'000s
	10	Gains/(losses) on investments	–	89,657	89,657	–	(79,247)	(79,247)
		Foreign exchange (losses)/gains	(4)	13	9	2	(25)	(23)
3	17	Income	12,697	58	12,755	10,097	938	11,035
4	4	Management fee	(721)	(721)	(1,442)	(609)	(609)	(1,218)
5	5	Other expenses	(535)	(2)	(537)	(583)	(2)	(585)
		Net return before finance costs and taxation	11,437	89,005	100,442	8,907	(78,945)	(70,038)
6	6	Finance costs	(114)	(114)	(228)	(141)	(141)	(282)
		Net return before taxation	11,323	88,891	100,214	8,766	(79,086)	(70,320)
7		Taxation	(13)	–	(13)	(8)	–	(8)
17	17	**Net return attributable to Shareholders**	11,310	88,891	100,201	8,758	(79,086)	(70,328)
8	8	**Earnings per share – basic and diluted**	10.56p	82.95p	93.51p	8.34p	(75.33p)	(66.99p)

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 61 to 77 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 30 September 2021

Notes		Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total equity Shareholders' funds £'000s
	Balance at 30 September 2020	26,677	139,814	4,146	4,434	79,475	11,849	266,395
	Movements during the year ended 30 September 2021							
9	Dividends paid	–	–	–	–	–	(12,424)	(12,424)
15,16	Ordinary shares issued	145	1,549	–	–	–	–	1,694
16,17	Ordinary shares issued from treasury	–	29	–	443	–	–	472
16,17	Ordinary shares bought back and held in treasury	–	–	–	(445)	–	–	(445)
16	Costs relating to broker	–	(18)	–	–	–	–	(18)
	Net return attributable to Shareholders	–	–	–	–	88,891	11,310	100,201
	Balance at 30 September 2021	26,822	141,374	4,146	4,432	168,366	10,735	355,875

for the year ended 30 September 2020

Notes		Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total equity Shareholders' funds £'000s
	Balance at 30 September 2019	25,696	130,197	4,146	4,434	158,561	15,115	338,149
	Movements during the year ended 30 September 2020							
9	Dividends paid	–	–	–	–	–	(12,024)	(12,024)
15,16	Ordinary shares issued	981	9,648	–	–	–	–	10,629
	Costs relating to broker	–	(31)	–	–	–	–	(31)
	Net return attributable to Shareholders	–	–	–	–	(79,086)	8,758	(70,328)
	Balance at 30 September 2020	26,677	139,814	4,146	4,434	79,475	11,849	266,395

The notes on pages 61 to 77 form an integral part of the financial statements.

Balance Sheet

Notes	at 30 September	2021 £'000s	2020 £'000s
	Fixed assets		
10	Investments	**378,420**	284,843
	Current assets		
11	Debtors	**1,087**	731
14	Cash and cash equivalents	**1,813**	1,183
	Total current assets	**2,900**	1,914
	Current liabilities		
12	Creditors: amounts falling due within one year	**(445)**	(362)
13,14	Bank loan	**(25,000)**	(20,000)
	Total current liabilities	**(25,445)**	(20,362)
	Net current liabilities	**(22,545)**	(18,448)
	Total assets less current liabilities	**355,875**	266,395
	Capital and reserves		
15	Share capital	**26,822**	26,677
16	Share premium account	**141,374**	139,814
16	Capital redemption reserve	**4,146**	4,146
16	Special reserve	**4,432**	4,434
17	Capital reserve	**168,366**	79,475
17	Revenue reserve	**10,735**	11,849
	Total Shareholders' funds	**355,875**	266,395
18	**Net Asset Value per ordinary share – pence**	**331.70**	249.65

The notes on pages 61 to 77 form an integral part of the financial statements.

The Financial Statements were approved by the Board on 24 November 2021 and signed on its behalf by

Jonathan Cartwright, Chairman

Statement of Cash Flows

Notes	for the year ended 30 September	2021 £'000s	2020 £'000s
19	**Cash flows from operating activities before dividends received and interest**	**(2,038)**	(1,111)
	Dividends received	**12,279**	10,649
	Interest received	**15**	11
	Interest paid	**(227)**	(282)
	Cash flows from operating activities	**10,029**	9,267
	Investing activities		
	Purchase of investments	**(42,713)**	(48,257)
	Sale of investments	**39,028**	27,395
	Other capital charges	**(2)**	(2)
	Cash flows from investing activities	**(3,687)**	(20,864)
	Cash flows before financing activities	**6,342**	(11,597)
	Financing activities		
9	Equity dividends paid	**(12,424)**	(12,024)
15,16	Net proceeds from issuance of new shares	**1,694**	10,629
16	Net proceeds from issuance of shares held in treasury	**472**	–
16	Costs associated with the issue of new shares	**(18)**	(31)
16	Costs of shares bought back and held in treasury	**(445)**	–
13,14	Drawdown of bank loan	**5,000**	10,000
	Cash flows from financing activities	**(5,721)**	8,574
14	Net movement in cash and cash equivalents	**621**	(3,023)
14	Cash and cash equivalents at the beginning of the year	**1,183**	4,229
14	Effect of movement in foreign exchange	**9**	(23)
14	**Cash and cash equivalents at the end of the year**	**1,813**	1,183
	Represented by:		
	Cash at bank	**3**	43
	Short term deposits	**1,810**	1,140
		1,813	1,183

The notes on pages 61 to 77 form an integral part of the financial statements.

Notes to the Accounts

1. General information

BMO Capital and Income Investment Trust PLC is an investment company incorporated in England (UK) 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 has conducted its affairs so as to qualify as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. Approval of the Company under Section 1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments.

The accounting policies have been applied consistently throughout the year ended 30 September 2021 with no significant changes, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

As referred to in the Directors' Report on page 35 and note 20 to 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 in accordance with the Companies Act 2006, Financial Reporting Standards (FRS) 102 applicable in the United Kingdom and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") issued in October 2019. 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.

The Directors are of the opinion that the Company's activities comprise a single operating segment, which is investing in the UK and Europe in equities to secure long-term growth in income and capital.

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, 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, realised and unrealised profits and losses on investments, income identified as being capital in nature, expenses allocated to capital 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.

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year ended 30 September 2021 and the prior year.

(i) Financial instruments

Financial instruments include fixed asset investments, 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 as transactions on the Capital Account. Purchases and sales are recognised on a trade date basis.

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.

(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.

(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 recognised immediately in the capital return of the Income Statement and are thus charged to capital reserve – realised; and
- 50% of management fees and 50% of finance costs are allocated to capital reserve – realised, 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.

Dividends paid and payable in respect of the year are set out in note 9. The amount estimated to be transferred to revenue reserves is less than the maximum allowed under rules in the Corporation Tax Act 2010. The Board assesses the minimum level of dividend payable in respect of any period in accordance with section 1158 rules, after taking into account the audited annual net revenue available for distribution, and ensures that payments for each period comfortably exceed that minimum level.

(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

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) Revenue reserve

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to Shareholders as a dividend.

(xiv) 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.

The areas requiring the most significant judgement and estimation in preparation of the financial statements are: accounting for the value of unquoted investments, and recognising and classifying unusual or special dividends received as either revenue or capital in nature; and setting the level of dividends paid and proposed in satisfaction of both the Company's long-term objective and its obligations to adhere to Investment Trust status rules under Section 1158 of the Corporation Tax Act 2010.

The policy for valuation of unquoted securities is set out in note 2(c)(ii).

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 in the year treated as capital in nature is disclosed in note 17 to the accounts. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies without prior reference to the Company.

3. Income

	2021 £'000s	2020 £'000s
Income from investments		
UK dividend income	10,877	8,798
UK dividend income – special dividends (1)	1,285	54
Overseas dividend income	286	239
Property income distributions	234	577
Scrip dividend income	–	418
	12,682	10,086
Other income		
Interest on cash and cash equivalents	1	11
Underwriting commission (2)	14	–
	15	11
Total income	12,697	10,097

(1) Special dividends classified as revenue in nature in accordance with note 2(c)(xiv).
(2) As at 30 September 2021 there was no outstanding sub-underwriting contracts (2020: none outstanding).

Dividends recognised as capital in nature, per Judgements & estimates note 2c(xiv), during the year totalled £58,000 (2020: £938,000).

4. Management fee

	2021			2020		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Management fee	721	721	1,442	609	609	1,218

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 policy.

5. Other expenses

	2021			2020		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
– for audit services(1)	32	–	32	31	–	31
Directors' fees for services to the Company(2)	155	–	155	151	–	151
Directors' and Officers' liability insurance	8	–	8	6	–	6
Loan commitment fee	6	–	6	13	–	13
Marketing	78	–	78	109	–	109
Professional fees	67	–	67	61	–	61
Printing and postage	62	–	62	64	–	64
Registrars' fees	27	–	27	27	–	27
Subscriptions and listing fees	51	–	51	49	–	49
Sundry expenses	49	2	51	72	2	74
Total other expenses	535	2	537	583	2	585

All expenses are stated gross of irrecoverable VAT, where applicable.
(1) Total Auditors' remuneration for audit services, exclusive of VAT amounts to £27,000 (2020: £26,000).
(2) See the Directors' Remuneration Report on page 44.

6. Finance costs

	2021			2020		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Loan interest	**113**	**113**	**226**	138	138	276
Overdraft interest	**1**	**1**	**2**	3	3	6
Total finance cost	**114**	**114**	**228**	141	141	282

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

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	2021			2020		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Overseas taxation	**13**	**–**	**13**	8	–	8
Total taxation charge (see note 7(b))	**13**	**–**	**13**	8	–	8

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%) (2019: same). Factors affecting the taxation charge are set out below.

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

	2021			2020		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Net return on ordinary activities before taxation	**11,323**	**88,891**	**100,214**	8,766	(79,086)	(70,320)
Return on ordinary activities multiplied by the effective rate of corporation tax of 19% (2020: 19%)	**2,151**	**16,889**	**19,040**	1,666	(15,026)	(13,360)
Effects of:						
Dividends*	**(2,409)**	**(11)**	**(2,420)**	(1,917)	(178)	(2,095)
Excess expenses not utilised in the year	**258**	**159**	**417**	251	143	394
Overseas taxation not relieved	**13**	**–**	**13**	8	–	8
Capital returns*	**–**	**(17,037)**	**(17,037)**	–	15,061	15,061
Total taxation (see note 7(a))	**13**	**–**	**13**	8	–	8

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

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023, and the Finance Act 2021 was enacted at the balance sheet date. The Company has an unrecognised deferred tax of £6.5 million based on the prospective corporation tax rate of 25% (2020: £4.6 million based on 19% rate of corporation tax).

8. Return per share

	2021			2020		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Net return attributable to equity Shareholders – £'000s	**11,310**	**88,891**	**100,201**	8,758	(79,086)	(70,328)
Return per share – pence	**10.56**	**82.95**	**93.51**	8.34	(75.33)	(66.99)

Both the revenue and capital returns per share are based on a weighted average of 107,151,511 ordinary shares in issue during the year (2020: 104,977,759).

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2021 £'000s	2020 £'000s
Fourth of four interims for the year ended 30 September 2019 of 3.75p per share	13-Dec-19	30-Dec-19	–	3,854
First of four interims for the year ended 30 September 2020 of 2.65p per share	06-Mar-20	31-Mar-20	–	2,746
Second of four interims for the year ended 30 September 2020 of 2.55p per share	12-Jun-20	30-Jun-20	–	2,703
Third of four interims for the year ended 30 September 2020 of 2.55p per share	04-Sep-20	30-Sep-20	–	2,721
Fourth of four interims for the year ended 30 September 2020 of 3.75p per share	04-Dec-20	17-Dec-20	4,007	–
First of four interims for the year ended 30 September 2021 of 2.65p per share	12-Mar-21	31-Mar-21	2,837	–
Second of four interims for the year ended 30 September 2021 of 2.60p per share	11-Jun-21	30-Jun-21	2,790	–
Third of four interims for the year ended 30 September 2021 of 2.60p per share	03-Sep-21	30-Sep-21	2,790	–
			12,424	12,024

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2021 of 3.75 pence per share, payable on 16 December 2021 to all Shareholders on the register at close of business on 3 December 2021. 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 2021, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2021 £'000s
Net revenue return attributable to Shareholders	11,310
First of four interims for the year ended 30 September 2021 of 2.65p per share	(2,837)
Second of four interims for the year ended 30 September 2021 of 2.60p per share	(2,790)
Third of four interims for the year ended 30 September 2021 of 2.60p per share	(2,790)
Fourth of four interims for the year ended 30 September 2021 of 3.75p per share (1)	(4,019)
Transferred from revenue reserve	(1,126)

(1) Based on shares in issue and their entitlement to the dividend at 22 November 2021.

10. Investments

	Level 1(1) £'000s	Level 3 £'000s	2021 Total £'000s	Level 1(1) £'000s	Level 3(2) £'000s	2020 Total £'000s
Cost brought forward	**246,295**	**–**	**246,295**	234,958	1,795	236,753
Gains/(losses) brought forward	**38,548**	**–**	**38,548**	108,108	(1,795)	106,313
Fair value of investments brought forward	**284,843**	**–**	**284,843**	343,066	–	343,066
Transferred to Level 3(3)	**(1,432)**	**1,432**	**–**	–	–	–
Purchases at cost	**42,713**	**–**	**42,713**	48,257	–	48,257
Sales proceeds	**(38,978)**	**–**	**(38,978)**	(27,398)	–	(27,398)
Gains/(losses) on investments sold in year	**7,860**	**(1,432)**	**6,428**	(9,687)	(1,795)	(11,482)
Gains/(losses) on investments held at year end	**83,414**	**–**	**83,414**	(69,395)	1,795	(67,600)
Fair value of investments at 30 September	**378,420**	**–**	**378,420**	284,843	–	284,843
Cost at 30 September	**256,643**	**–**	**256,643**	246,295	–	246,295
Gains at 30 September	**121,777**	**–**	**121,777**	38,548	–	38,548
Fair value of investments at 30 September	**378,420**	**–**	**378,420**	284,843	–	284,843

	2021 £'000s	2020 £'000s
Gains/(losses) on investments sold in year	**6,428**	(11,482)
Gains/(losses) on investments held at year end	**83,414**	(67,600)
Investment transaction costs	**(185)**	(165)
Total gains/(losses) in year	**89,657**	(79,247)

(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) Caithness Petroleum Limited was written off as at 30 September 2020.

(3) Ahtium PLC was written off as at 30 September 2021 as a result of bankruptcy first announced in 2018.

Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gains or losses was included in the fair value of the investments.
The investment portfolio is set out on page 21.

11. Debtors

	2021 £'000s	2020 £'000s
Accrued income	**983**	593
Investments sold awaiting settlement	**–**	50
Prepayments	**21**	23
Income tax recoverable	**–**	8
Overseas taxation recoverable	**83**	57
	1,087	731

12. Creditors: amounts falling due within one year

	2021 £'000s	2020 £'000s
Management fee	**382**	287
Loan interest	**1**	–
Accruals	**62**	75
	445	362

13. Loans

	2021 £'000s	2020 £'000s
Sterling loans: falling due within one year	25,000	20,000

On 28 March 2021 the Company entered into a new multicurrency revolving facility agreement of up to £40 million with The Bank of Nova Scotia, London Branch ("Scotiabank"), expiring on 25 March 2022. The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates.
As at 30 September 2021 the Company had drawn down £25 million of the loan facility.

14. Analysis of changes in net debt

	Cash £'000s	Bank loans £'000s	2021 Total £'000s	Cash £'000s	Bank loans £'000s	2020 Total £'000s
Net debt brought forward	1,183	(20,000)	(18,817)	4,229	(10,000)	(5,771)
Cash-flows:						
Drawdown of bank loan	–	(5,000)	(5,000)	–	(10,000)	(10,000)
Net movement in cash and cash equivalents	621	–	621	(3,023)	–	(3,023)
Non-cash:						
Effect of movement in foreign exchange	9	–	9	(23)	–	(23)
Net debt carried forward	1,813	(25,000)	(23,187)	1,183	(20,000)	(18,817)

15. Share capital

	Total Listed		Held in Treasury		2021 Issued and fully paid		2020 Issued and fully paid	
	Number	£'000s	Number	£'000s	Number	£'000s	Number	£'000s
Ordinary shares of 25 pence each								
Balance brought forward	106,709,268	26,677	–	–	106,709,268	26,677	102,784,268	25,696
Ordinary shares issued	579,754	145	–	–	579,754	145	3,925,000	981
Ordinary shares issued from treasury	–	–	(150,000)	(38)	150,000	38	–	–
Ordinary shares bought back & held in treasury	–	–	150,000	38	(150,000)	(38)	–	–
Balance at 30 September	107,289,022	26,822	–	–	107,289,022	26,822	106,709,268	26,677

During the year ended 30 September 2021, 579,754 (2020: 3,925,000) new ordinary shares of 25p each in nominal value were issued with a total consideration of £1,694,000 (2020: £10,629,000) and 150,000 (2020: nil) ordinary shares were bought back, held in treasury, and subsequently reissued for a premium of £29,000.

Since 30 September 2021 a further 122,819 ordinary shares have been bought back and are held in treasury.

16. Reserves

	Share Premium account £'000s	Capital Redemption Reserve £'000s	Special Reserve £'000s
Balance brought forward as at 1 October 2020	139,814	4,146	4,434
Ordinary shares issued from treasury	–	–	443
Ordinary shares bought back and cancelled or held in treasury	–	–	(443)
Stamp duty	–	–	(2)
Premium on issue of shares	1,549	–	–
Premium on issue of shares from treasury	29	–	–
Costs associated with share issues	(18)	–	–
Balance carried forward as at 30 September 2021	141,374	4,146	4,432
Balance brought forward as at 1 October 2019	130,197	4,146	4,434
Premium on issue of shares	9,648	–	–
Costs associated with share issues	(31)	–	–
Balance carried forward as at 30 September 2020	139,814	4,146	4,434

17. Other reserves

	Capital reserve – realised £'000s	Capital reserve – unrealised £'000s	Capital reserve – total £'000s	Revenue reserve £'000s
Movements during the year ended 30 September 2021				
Gains on investments sold in year	6,428	–	6,428	–
Gains on investments held at year end	–	83,414	83,414	–
Transaction costs	–	(185)	(185)	–
Foreign exchange gains	13	–	13	–
Capital special dividends	58	–	58	–
Management fee (see note 4)	(721)	–	(721)	–
Finance costs (see note 6)	(114)	–	(114)	–
Other capital charges	(2)	–	(2)	–
Revenue return	–	–	–	11,310
Return attributable to Shareholders	5,662	83,229	88,891	11,310
Dividends paid in year (see note 9)	–	–	–	(12,424)
Balance at 30 September 2020	40,927	38,548	79,475	11,849
Balance at 30 September 2021	46,589	121,777	168,366	10,735

Included within the capital reserve movement for the year are £164,000 of transaction costs including stamp duty on purchases of investments (2020: £152,000) and £21,000 of transaction costs on sales of investments (2020: £13,000).

Included within the capital reserve movement for the year is £58,000 (2020: £938,000) of dividend receipts recognised as capital in nature.

18. Net Asset Value per ordinary share

	2021	2020
Net asset value per share – pence	**331.70**	249.65
Net assets attributable at the year end – (£'000s)	**355,875**	266,395
Number of ordinary shares in issue at the year end	**107,289,022**	106,709,268

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

	2021 £'000s	2020 £'000s
Net return on ordinary activities before taxation	**100,214**	(70,320)
Adjustments for non-cash flow items, dividend income and interest expense:		
(Gains)/losses on investments	**(89,842)**	79,082
Foreign exchange movements	**(9)**	23
Non-operating expenses of a capital nature	**2**	2
Dividend income receivable	**(12,682)**	(10,086)
Interest receivable	**(15)**	(11)
Interest payable	**228**	282
Increase in other debtors	**(16)**	(24)
Increase / (decrease) in other creditors	**82**	(59)
	(102,252)	69,209
Cash outflows from operating activities before dividends received and interest paid	**(2,038)**	(1,111)

20. Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have also considered the Company's objective, strategy and policy, the current cash position of the Company, the availability of the loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

At present the global economy is suffering considerable disruption due to the effects of the COVID-19 pandemic and the Directors have given serious consideration to the consequences for this Company. The Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached.

The primary risk is that there is a very substantial decrease in the Net Asset Value of the Company in the short to medium term. The Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 22 November 2021, the last practicable date before publication of this report, borrowings amounted to £25 million. This is in comparison to a Net Asset Value of £359 million. In accordance with its investment policy the Company is invested mainly in readily realisable, FTSE All-Share listed securities. These can be realised, if necessary, to repay the loan facility and fund future dividend payments.

The Company operates within a robust regulatory environment. The Company retains title to all assets held by the Custodian. Cash is held with banks approved and regularly reviewed by the Manager and the Board. The Directors have noted that home working arrangements have been implemented at the Manager and many of the Company's key suppliers without any impact upon service delivery and operations.

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

21. 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 Corporation Tax Act. 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) on the following pages.

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 to the accounts. The policies are in compliance with UK accounting standards and best practice. The Company does not make use of hedge accounting rules.

Sensitivity analysis tables presented in the following sections relating to currency, interest and market exposures have been calculated on the level of change considered to be a reasonable illustration based on observation of current market and economic conditions.

(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. Whilst 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.

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 currencies to which the Company was exposed during the year were the euro and US dollar. 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 and US dollar applying against sterling at 30 September and the average rates during the year ended 30 September were as follows:

	2021 At 30 September	**2021** Average for the year	2020 At 30 September	2020 Average for the year
Euro	**1.163**	**1.145**	1.102	1.139
US dollar	**1.348**	**1.369**	1.329	1.275

The following calculations demonstrate the approximate effect of a weakening or strengthening of sterling against other currencies and are based on the following:

- applicable balance sheet date exchange rates;
- for capital returns the financial assets and liabilities held at the year-end date, including investments, cash, debtors and creditors;
- for revenue returns the current year income received in currencies other than sterling as a best estimate of future receipts; and
- for both capital and revenue, the management fee adjusted for changes in the funds under management as a result of changes in investment values when applying different exchange rates.

A 10% change in the sterling exchange rate would have the following approximate effect on returns attributable to Shareholders and on the NAV per share:

Weakening of sterling by 10% against other currencies

Local currency	Return	Local currency	Sterling Equivalent £'000s	10% weakened sterling fx rate	Adjusted income, assets and liabilities (£'000s)	2021 Net return attributable to Shareholders (£'000s)	2020 Net return attributable to Shareholders (£'000s)
Euro	Revenue	630	541	1.0471	602	61	26
Euro	Capital	8,152	7,007	1.0471	7,785	778	501
US Dollar	Revenue	138	102	1.2136	114	12	–
US Dollar	Capital	7,326	5,433	1.2136	6,037	604	–
Net Total Return attributable to Shareholders						1,455	527
Shares in issue						107,289,022	106,709,268
NAV per share - pence						1.36	0.49

Strengthening of sterling by 10% against other currencies

Local currency	Return	Local currency	Sterling Equivalent £'000s	10% strengthened sterling fx rate	Adjusted income, assets and liabilities (£'000s)	2021 Net return attributable to Shareholders (£'000s)	2020 Net return attributable to Shareholders (£'000s)
Euro	Revenue	630	541	1.2798	492	(49)	(21)
Euro	Capital	8,152	7,007	1.2798	6,370	(637)	(410)
US Dollar	Revenue	138	102	1.4832	93	(9)	–
US Dollar	Capital	7,326	5,433	1.4832	4,939	(494)	–
Net Total Return attributable to Shareholders						(1,189)	(431)
Shares in issue						107,289,022	106,709,268
NAV per share - pence						(1.11)	(0.40)

These effects are representative of the exposure to currencies other than sterling by the Company as at 30 September 2021 although the level of exposure will fluctuate in accordance with the investment and risk management process.

21. Financial Risk Management (continued)

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

2021	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	1,004	1,813	(445)	(25,000)	(22,628)	366,063	343,435
Other	83	–	–	–	83	12,357	12,440
Total	1,087	1,813	(445)	(25,000)	(22,545)	378,420	355,875

2020	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	674	1,183	(362)	(20,000)	(18,505)	280,390	261,885
Other	57	–	–	–	57	4,453	4,510
Total	731	1,183	(362)	(20,000)	(18,448)	284,843	266,395

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	2021 Total £'000s	Within one year £'000s	More than one year £'000s	2020 Total £'000s
Exposure to floating rates:						
Cash and cash equivalents	1,813	–	1,813	1,183	–	1,183
Loans	(25,000)	–	(25,000)	(20,000)	–	(20,000)
Net exposure	(23,187)	–	(23,187)	(18,817)	–	(18,817)

The Company had no exposure to fixed interest rates at the year end.

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 that are effected by changes in interest rates, such as cash and bank loans, and the interest rates ruling at each balance sheet date, an increase or decrease in interest rates of 1% (2020 figures have been restated at 1% for comparison purposes, previously 2%) would have the following approximate effects on the Income Statement revenue and capital returns after tax and on the NAV per share:

	2021 Increase in rate £'000s	2021 Decrease in rate £'000s	2020 Increase in rate £'000s	2020 Decrease in rate £'000s
Revenue return	(107)	107	(88)	88
Capital return	(125)	125	(100)	100
Total return	(232)	232	(188)	188
NAV per share – pence	(0.22)	0.22	(0.18)	0.18

Other market risk exposures

The portfolio of investments, valued at £378,420,000 at 30 September 2021 (2020: £284,843,000) 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 18 to 21.

Based on the portfolio of investments held at each Balance Sheet date, and assuming other factors, including the management charge, remain constant, an increase or decrease 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:

	2021 Increase in value £'000s	2021 Decrease in value £'000s	2020 Increase in value £'000s	2020 Decrease in value £'000s
Capital return	**75,684**	**(75,684)**	56,969	(56,969)
NAV per share – pence	**70.54**	**(70.54)**	53.39	(53.39)

(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 (100% at 30 September 2021 and 100% at 30 September 2020); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see pages 18 to 21); 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 £40 million unsecured revolving floating rate credit facility available until March 2022.

As at 30 September 2021 the Company had drawn down £25 million of the loan facility and bank overdrafts of £nil.

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:

2021	**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	**445**	**–**	**–**	**445**
Loans	**25,000**	**–**	**–**	**25,000**
	25,445	**–**	**–**	**25,445**

2020	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	362	–	–	362
Loans	20,000	–	–	20,000
	20,362	–	–	20,362

21. 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. 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.

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 15, dividend payments in note 9 and details of loans in note 13.

22. Transactions with related parties and Manager

The following are considered related parties: the Board, including their spouses and dependents, and the Manager (BMO Investment Business Limited).

There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 45 and as set out in note 5; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 44. 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.

23. 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 2021 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	106%	107%

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.

24. Securities financing transactions ("SFR")

The Company has not, in the year to 30 September 2021 (2020: 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.

25. Subsequent Events

Subsequent to the year end, on 8 November 2021 Columbia Threadneedle, the global asset management business of Ameriprise Financial, Inc. announced the completion of the acquisition of the European, Middle Eastern and African asset management business of BMO.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assets (before debt)	182,290	203,079	244,708	251,387	256,876	297,027	332,463	347,472	348,149	286,395	**380,875**
Loans	15,000	7,967	20,000	20,000	20,000	25,000	20,000	20,000	10,000	20,000	**25,000**
Net assets	167,290	195,112	224,708	231,387	236,876	272,027	312,463	327,472	338,149	266,395	**355,875**

Net Asset Value (NAV)
at 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share – pence	195.0	222.0	251.4	251.8	250.5	281.1	317.1	324.0	329.0	249.7	**331.7**

Total Returns[(1)]
(rebased to 100 at 30 September 2011)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share	100.0	118.7	139.7	145.2	150.2	175.3	204.9	216.2	227.8	179.9	**247.9**
Middle market price per share	100.0	114.1	132.7	140.7	145.1	169.2	195.9	206.2	212.6	169.4	**229.5**
FTSE All-Share Index	100.0	117.2	139.4	147.9	144.5	168.9	189.0	200.1	205.5	171.4	**219.2**

Returns excluding dividends[(1)]
(rebased to 100 at 30 September 2011)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share	100.0	113.8	128.9	129.1	128.5	144.2	162.6	166.2	168.7	128.0	**170.1**
Middle market price per share	100.0	109.5	122.6	125.2	124.3	139.3	155.8	158.7	157.8	120.9	**157.8**
FTSE All-Share Index	100.0	113.0	129.7	133.1	125.7	141.5	152.6	155.5	153.0	123.7	**152.9**

(1) See Alternative Performance Measures pages 85 and 86.

Share Price
at 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle market price per share – pence	206.0	225.5	252.5	258.0	256.0	287.0	321.0	327.0	325.0	249.0	**325.0**
Premium/(discount)to NAV – %	5.2	1.6	0.4	2.5	2.2	2.1	1.2	0.9	(1.2)	(0.3)	**(2.0)**
Share price high – pence	232.0	227.0	269.0	271.8	277.0	289.8	327.5	350.0	337.0	358.0	**339.0**
Share price low – pence	199.0	195.0	222.8	248.0	233.8	234.8	274.0	309.5	276.5	193.8	**237.5**

Revenue
for the year ended 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Available for ordinary shares (£'000s)	8,341	8,715	9,941	9,575	9,475	10,785	11,459	11,710	13,426	8,758	**11,310**
Earnings per share – pence	9.75	10.01	11.26	10.56	10.10	11.26	11.71	11.70	13.12	8.34	**10.56**
Dividends per share – pence	8.65	9.00	9.45	9.85	10.10	10.30	10.65	10.95	11.40	11.50	**11.60**

Revenue Performance
(rebased to 100 at 30 September 2011)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Earnings per share	100.0	102.7	115.5	108.3	103.6	115.5	120.1	120.0	134.6	85.5	**108.3**
Dividends per share	100.0	104.0	109.2	113.9	116.8	119.1	123.1	126.6	131.8	132.9	**134.1**
CPI	100.0	102.2	104.9	106.2	106.1	107.1	110.3	113.0	114.9	115.5	**119.1**

Cost of running the Company (Ongoing charges)
for the year ended 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expressed as a percentage of average net assets:											
Ongoing charges	0.82	0.80	0.62	0.66	0.64	0.64	0.59	0.58	0.58	0.58	**0.59**

Gearing[(1)]
at 30 September

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net gearing %	9.08	1.22	3.81	4.43	10.32	9.32	4.81	4.51	1.71	7.06	**6.52**

(1) See Alternative Performance Measures pages 85 and 86 for explanation

Analysis of Ordinary Shareholders (unaudited)

Category	Holding % at 30 September 2021	Holding % at 30 September 2020
BMO Savings Plans	**79.5**	79.9
Direct Individuals	**9.4**	8.5
Institutions	**6.2**	6.3
Intermediaries	**4.9**	5.3
	100.0	100.0

Source: BMO GAM.

Notice of Annual General Meeting

Notice is hereby given that the twenty ninth Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Thursday 10 March 2022 at 12.30 p.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 2021 together with the Independent Auditors' report thereon.
2. To approve the Company's dividend policy with regard to quarterly payments as set out on page 35 of the Report and Accounts 2021.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2021.
4. To re-elect Jonathan Cartwright as a Director.
5. To re-elect Sharon Brown as a Director.
6. To re-elect Jane Lewis as a Director.
7. To re-elect Nicky McCabe as a Director.
8. To re-elect Tim Scholefield as a Director.
9. To re-appoint BDO LLP as auditors to the Company.
10. To authorise the Audit and Risk Committee to determine the remuneration of the auditors.
11. 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 £2,679,155 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 2023 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:

12. THAT, subject to the passing of Resolution 11 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 11 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 2023 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 £2,679,155, 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.
13. 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 16,064,213;
    (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
24 November 2021

Registered office:
Exchange House
Primrose Street
London EC2A 2NY
Registered number: 02732011

Notes:

1. If law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his sole discretion, the number of individuals in attendance at the meeting. In addition, the Company may impose entry restrictions on certain persons wishing to attend the meeting in order to secure the orderly and proper conduct of the business.
2. 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.
3. 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.
4. 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 6ZZ, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Amended instructions must also be received by the Company's Registrar by the deadline for receipt of Forms of Proxy.
5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website www.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.
6. 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 12.30 p.m. on 3 March 2022. Alternatively, voting directions can be submitted electronically at www.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 12.30 p.m. on 3 March 2022.
7. 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, 2, 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.
8. 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 close of business on 8 March 2022 (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.
9. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.30 p.m. on 8 March 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

   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.
10. 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 www.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. 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.
11. 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 (www.euroclear.com/CREST).

12. 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).
13. 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.
14. 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.
15. 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.
16. 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; or
    (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.
17. As at 22 November 2021, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 107,289,022 ordinary shares of 25p each including 122,819 shares held in treasury. Therefore, the total voting rights in the Company as at 22 November 2021 were 107,166,203.
18. 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 22 November 2021 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.
19. 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.
20. No Director has a service agreement with the Company.
21. 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.
22. 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 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 NAV, or Net Asset Value, per share is released daily to the London Stock Exchange on the working day following the calculation date. 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 £12,570 in the tax year ending 5 April 2022 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 (£37,700 in 2021-22 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 3.75 pence per share is payable on 16 December 2021. Since 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

The Company 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).

Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. Alternatively, please go to www.computershare.com/dealing/uk for a range of dealing services made available by Computershare.

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.

Registered in England and Wales with Company Registration No 02732011.

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 ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the current tax year with a lump sum from £100 or regular savings from £25 a month. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*

A tax efficient way to invest up to £9,000 per tax year for a child. Contributions start from £100 lump sum or £25 a month. JISAs or CTFs with other providers can be transferred to BMO.

BMO Lifetime ISA (LISA)

For those aged 18-39, a Lifetime ISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

BMO Child Trust Fund (CTF)*

If your child already has a CTF you can invest up to £9,000 per birthday year, from £100 lump sum or £25 a month. CTFs with other providers can be transferred to BMO.

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 £100 lump sum or £25 a month.

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 £100 lump sum or £25 a month per account. You can also make additional lump sum top-ups at any time from £100 per account.

*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.

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CHARGES

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

ANNUAL ACCOUNT CHARGE

ISA/LISA: £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

£12 per fund (reduced to £0 for deals placed through the online BMO Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits.

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

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 & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to invest into.

HOW TO INVEST

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

Online applications are 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 but paper applications are available at bmoinvestments.co.uk/documents or by contacting BMO.

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

EXISTING PLAN HOLDERS:
Call: **0345 600 3030****
(9.00am – 5.00pm, 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: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre.**

BMO Asset Management Limited

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. No new APMs have been identified or added since the prior year end.

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 2021 pence	30 September 2020 pence
Net Asset Value per share	(a)	**331.70**	249.65
Share price per share	(b)	**325.00**	249.00
(Discount) or Premium (c= (b-a)/a)	(c)	**(2.0%)**	(0.3%)

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 2021 £'000	30 September 2020 £'000
Loan		**25,000**	20,000
Less cash and cash equivalents		**(1,813)**	(1,183)
Total	(a)	**23,187**	18,817
Net Assets	(b)	**355,875**	266,395
Gearing (c = a/b)	(c)	**6.52%**	7.06%

Ongoing Charges – are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company, expressed as a proportion of the average net assets of the Company over the reporting year (see Ten Year Record). 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 are based on costs incurred in the year as being the best estimate of future costs.

Ongoing charges calculation		30 September 2021 £'000	30 September 2020 £'000
Management fees		1,442	1,218
Other expenses		535	583
Broker fees		18	12
Less loan arrangement/commitment fees		(6)	(13)
Less ad-hoc non-recurring expenses		(37)	(50)
Total recurring expenses	(a)	1,952	1,750
Average daily net assets	(b)	331,180	301,726
Ongoing charges (c = a/b)	(c)	0.59%	0.58%

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 2020 (pence)	249.65	249.00
NAV / Share Price per share at 30 September 2021 (pence)	331.70	325.00
Change in the year	32.9%	30.5%
Impact of dividend reinvestments	4.9%	5.0%
Total return for the year	37.8%	35.5%

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 requires that all investment vehicles ("**AIFs**") 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 Capital and Income Investment Trust PLC – the "**Company**".

BMO savings plans – the BMO General Investment Account, BMO Junior Investment Account, BMO Investment Trust ISA, BMO Junior ISA, BMO Lifetime 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 a wide range of companies traded on the London Stock Exchange taken as a whole 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 to 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 the Special Reserve.

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).

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 to 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. 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 – BMO Investment Business Limited, (AIFM), and its sister company BMO Asset Management Limited. These two companies are owned by Ameriprise Financial, Inc.

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 to 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 Directors' 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 investment vehicle – 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 to the accounts.

SSAE16 – Statement on Standards for Attestation Engagements 16, issued by the American Institute of Certified Public Accountants, is an independent snapshot of an organisation's control environment.

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 to you shares that turn out to be worthless or non-existent, or to buy your shares at an inflated price in return for an upfront payment following which the proceeds are never received.

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 2021

Registered office:

Exchange House, Primrose Street, London EC2A 2NY

020 7628 8000

bmocapitalandincome.com

info@bmogam.com

Registrars:

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

0370 889 4094

computershare.com

web.queries@computershare.co.uk

Part of