BMO UK High Income Trust PLC

Annual Report and Financial Statements 31 March 2020

BMO

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Financial Calendar		
Annual General Meeting		27 July 2020
First quarter's distribution paid	(XD Date 2 July 2020)	7 August 2020
Second quarter's distribution paid	(XD Date 1 October 2020)	6 November 2020
Announcement of Interim Results		December 2020
Third quarter's distribution paid	(XD Date 7 January 2021)	5 February 2021
Fourth quarter's distribution paid	(XD Date 1 April 2021)	7 May 2021
Announcement of Annual Results and Posting of Annual Report		May 2021
Annual General Meeting		July 2021

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 (as amended by the Financial Services Act 2012) 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 shares in BMO UK High Income 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

BMO UK High Income Trust PLC (the "**Company**") is an investment trust and its shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange.

Purpose

The purpose of the Company is to be a cost effective investment vehicle for investors seeking income and capital returns from a portfolio invested predominantly in UK equities.

Investment Objective

The investment objective of the Company is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth.

In pursuit of its objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

Capital Structure

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class are identical, save in respect of the right to participate in distributions of dividends and capital. The net asset value attributable to each class of shares is the same.

Only Ordinary shares are entitled to dividends paid by the Company. B shares, instead of receiving dividends, receive a capital repayment at the same time as, and in an amount equal to, each dividend paid on the Ordinary shares.

Shares may be held and traded within units, each unit comprises three Ordinary shares and one B share.

Visit our website at **bmoukhighincome.com**

The Company is registered in Scotland with company registration number SC314671
Legal Entity Identifier: 213800B7D5D7RVZZPV45

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

Financial Highlights

+3.4%

Distributions increased on Ordinary Shares and B Shares
Total distributions increased by 3.4% to 5.21p per share compared to the prior year. Distribution yield[1] of 7.5% on Ordinary shares and 7.7% on B shares at 31 March 2020, compared to the yield on the FTSE All-Share Index of 5.5%.

-21.4%

NAV total return[1]
Net asset value total return per share for the year was -21.4%, compared to the Benchmark[2] total return of -18.5%.

-22.8%

Ordinary Share price total return[1]
Ordinary share price total return per share for the year was -22.8%, compared to the Benchmark[2] total return of -18.5%.

-25.0%

B Share price total return[1]
B share price total return per share for the year was -25.0%, compared to the Benchmark[2] total return of -18.5%.

(1) Yield and Total return – See Alternative Performance Measures on page 92.

(2) Benchmark – From launch on 1 March 2007, the Company's benchmark index was the FTSE All-Share Capped 5% Index. Following shareholder approval at the Company's AGM on 5 July 2018, the benchmark was changed to the FTSE All-Share Index.

Investors are reminded that the value of investments and any income from them may go down as well as up and 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.

Summary of Performance

Total Return[1]	Year to 31 March 2020	Year to 31 March 2019
Net asset value per Ordinary share, B share and unit*	-21.4%	3.5%
Ordinary share price	-22.8%	3.7%
B share price	-25.0%	4.5%
Unit price*	-22.7%	-1.0%
Benchmark[2]	-18.5%	6.0%

	Year to 31 March 2020	Year to 31 March 2019	% change
Revenue and Distributions			
Distributions per Ordinary share and B share	5.21p	5.04p	+3.4%
Distributions per unit*	20.84p	20.16p	+3.4%
Yield[1] – Ordinary share	7.5%	5.3%	
Yield[1] – B share	7.7%	5.3%	
Revenue reserve – per Ordinary share[3]	5.68p	6.16p	

	31 March 2020	31 March 2019	% change
Capital			
Net Assets	£89.5m	£120.1m	-25.5%
Net asset value per Ordinary share and B share	76.66p	102.39p	-25.1%
Net asset value per unit*	306.64p	409.56p	-25.1%
FTSE All-Share Index	3,107.42	3,978.28	-21.9%
Discount[1]			
Ordinary shares	-9.3%	-7.2%	
B shares	-11.9%	-7.2%	
Units	-11.0%	-8.9%	
Gearing[1]			
Gearing	3.4%	4.3%	
Ongoing Charges[1]			
as percentage of average shareholders' funds	0.96%	0.98%	

[1] Total return, Yield, Discount, Gearing and Ongoing charges – see Alternative Performance Measures on pages 91 to 92.

[2] Benchmark – see definition on page 2.

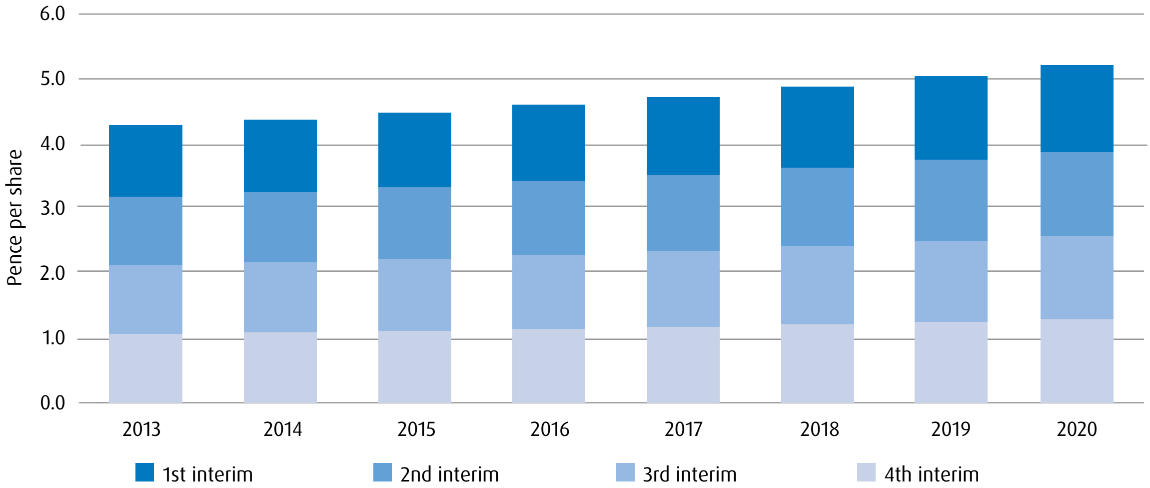
[3] Calculated after deducting the fourth interim dividend (which was paid after the year end) from the revenue reserve at 31 March.

* A unit consists of three Ordinary shares and one B share.

Sources: BMO Global Asset Management ("BMO GAM") and Refinitiv Eikon.

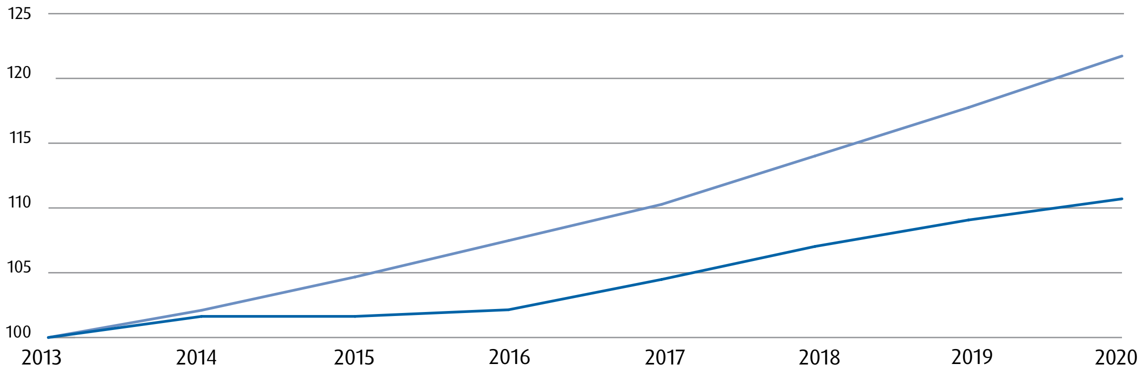
Annual dividends and Capital repayments

Growth in payments to shareholders
over last eight financial years



Source: BMO GAM

Growth in Annual dividends and Capital repayments compared to Consumer Price Index since 2013



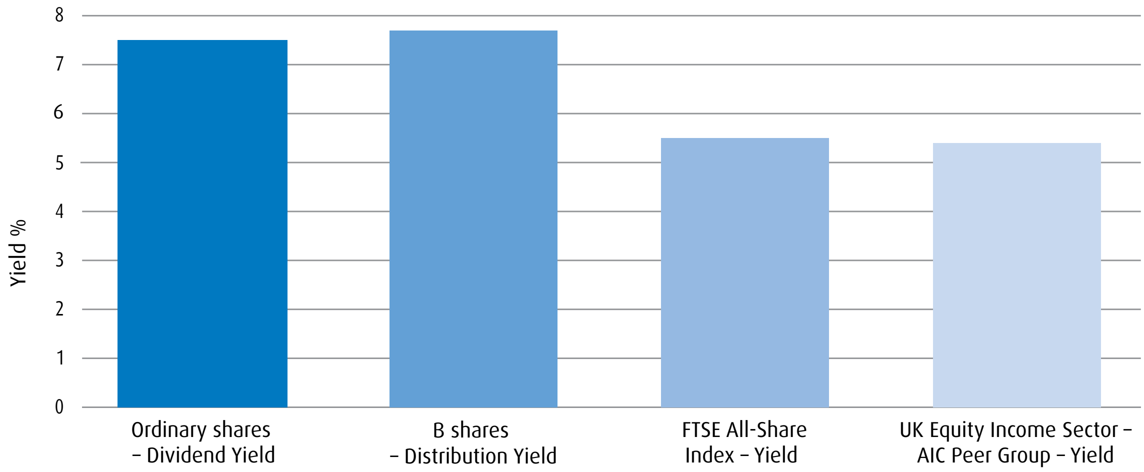
rebased to 100 at 31 March 2013

BMO UK High Income Trust – Annual dividends and Capital repayments per share

Consumer Price Index

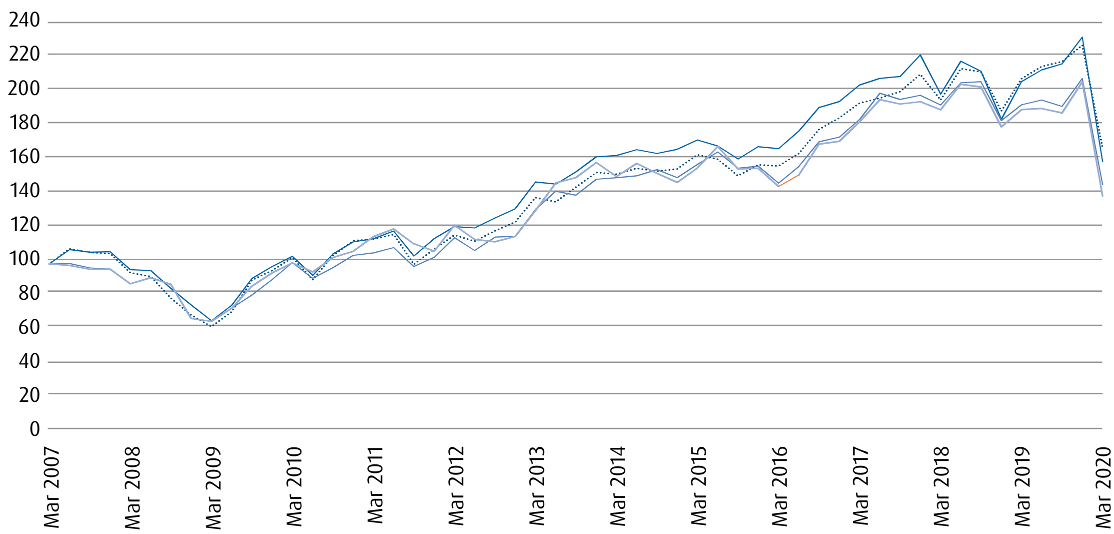
Source: BMO GAM and Refinitiv Eikon

Distribution yield compared to the Benchmark Index and Peer Group at 31 March 2020



Source: Refinitiv Eikon and AIC

Net Asset Value Total Return and Share Price Total Return compared to the Benchmark Index since launch



rebased to 100 at 1 March 2007, date of launch

Benchmark Index
Net Asset Value Total Return (with dividends reinvested)
Ordinary Share Price Total Return (with dividends reinvested)
B Share Price Total Return (with capital repayments reinvested)

Source: BMO GAM

Strategic Report

This Strategic Report, which includes pages 6 to 29 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

"The Board intends to use the benefits of the investment trust structure to ensure that the level of dividend to shareholders is at least maintained for the foreseeable future."

J M Evans Chairman

In the unanticipated and testing circumstances that currently exist it is appropriate to deal with issues that will be of most concern to shareholders before reviewing the returns for the year to 31 March 2020.

First, I wish to reassure Shareholders that the continuity arrangements of your Investment Manager, BMO GAM, have worked well and that your portfolio has been actively managed throughout the entire period of the Coronavirus ("COVID-19") related disruption to working practices. I can also report that the Board is satisfied that the continuity arrangements of all key suppliers including the registrar, depositary, custodian and auditor are working well.

In its response to the introduction of severe restrictions on economic and social activity necessary to fight the COVID-19 pandemic, the UK Government has made available enormous sums to reimburse companies for the earnings and wages of staff who have been furloughed. It is entirely understandable why companies that are beneficiaries of such public funding and have seen the livelihood of their employees and other stakeholders severely impacted should choose to cancel, delay or significantly reduce the dividend payments that they make to shareholders. In addition companies have chosen not to pay dividends in the short term to conserve cash at a time when cash flow is severely reduced. Finally financial regulators in the UK made it clear that they did not expect certain financial companies to be paying dividends under current circumstances.

Possible scenarios for UK dividends in 2020 were recently provided by Link Group and estimations for falls ranged from 27% to 51%. This is a quantum of decline significantly greater than that seen in 2008 and 2009 during the financial crisis. Furthermore, there is an exceptionally low level of visibility as to when companies may be in a position to commence paying dividends once more and also at what level they may reintroduce a payment. The Fund Manager has set out his expectations for dividends from the Company's investments within his report on pages 11 to 13.

Consequently, the macro background for an Investment Trust with an objective of seeking income and income growth from a predominantly UK equity portfolio could hardly be more hostile or uncertain.

Shareholders should rightly ask "What is the Board's strategy in response to such a background"?

The answer is simple. The Board intends to use the benefits of the Investment Trust structure to ensure that the level of dividend to shareholders is at least maintained for the foreseeable future.

Revenue reserves following the payment of the fourth quarterly interim dividend will be £4.9 million, approximately 5.7p per ordinary share, equivalent to 109% of the total annual dividend of 5.21p per ordinary share paid in respect of the year to 31 March 2020. These reserves can and, if required, will be used to supplement revenue earnings in future periods. Indeed following the cancellation of previously declared dividends by several companies held in the portfolio just before your Company's year end £436,000 of revenue reserve will be used to pay the above dividend.

Your Directors consider that the Manager has placed the portfolio in a strong position and shareholders should be encouraged by the fact that the level of reduced or unpaid dividends for the portfolio to date is lower than that recorded by the FTSE All-Share Index – I will leave the Manager to provide more detail on this in his report.

It may well be the case in future that dividends from UK companies are fundamentally rebased to a lower level and such a situation would severely impair the ability to maintain current payment levels over the long term. However, your Board and Manager will make every effort to try and at least maintain the level of payment to shareholders. The Board is aware of the paucity of yield and income available from other asset classes. Interest rates have been reduced to all time low levels. Bond yields are likewise low. Other asset classes which are owned primarily for an income return have encountered significant difficulties in their ability to maintain dividends.

Shareholders in BMO UK High Income Trust have invested because they seek an above average yield and potential for capital growth. Your Board recognises that, and you can be assured of its determination to deliver to the best of its ability on the shareholders' requirements.

Review of year to 31 March 2020

The Net Asset Value ("NAV") total return for the year to 31 March 2020 was -21.4%, which compares with the return from the FTSE All-Share Index (the benchmark) of -18.5%. The absolute numbers are, of course, disappointing but all of the decline was recorded during the final five weeks of the year.

In addition to the sharp declines seen in equity markets late in the financial year the, now seemingly irrelevant events in respect of Brexit and the UK General Election were of significance with regard to relative performance. The portfolio was constructed with a bias towards companies exposed to the UK economy which were considered to be trading at attractive valuations – partly due to the uncertainty surrounding Brexit. Such companies generally underperformed in share price terms ahead of the General Election in December and the portfolio mirrored this performance. However following the election and consequent greater certainty on Brexit the portfolio demonstrated strong relative outperformance and continued to do so until the stockmarket began to discount the implications of the COVID-19 pandemic in March 2020.

As the Manager has focussed the investment portfolio there is a very high level of commitment behind each investment demonstrated by the active weight of 86%. Consequently, the portfolio is unlikely to and indeed has not, performed in line with the benchmark index. This was amply demonstrated in the past year with periods of significant outperformance and underperformance relative to the benchmark being seen.

Revenue earnings per share for the financial year were 3.46p a decrease of 8.2% from the previous year. This decrease was attributable to the late cancellation of several dividends, as discussed above. Your Manager has continued to improve the dividend reliability of the portfolio and reduced the investment in companies with higher yields but (in normal times) potentially vulnerable dividends and invested the proceeds in companies with lower dividend yields but where there were opportunities for significantly faster dividend growth in the future.

Dividends and Capital Repayments

A fourth quarter interim dividend and a capital repayment of 1.34p per share was paid on 1 May 2020 to ordinary shareholders and B shareholders respectively, on the register on 3 April 2020. The total dividend/capital repayment for the year to 31 March 2020 will thus be 5.21p an increase of 3.4% on the equivalent distribution for the previous financial year. The total dividend/capital repayment represents a yield of 6.6% based on both the ordinary share and B share prices of 78.5p as at 27 May 2020.

Board Succession

This is a matter which was discussed in the last annual report and the Board is continuing to manage its succession while making every effort to ensure that both the tenure of individual Directors and the overall board structure complies with the best standards of current corporate governance.

Consequently, Iain McLaren retired as Chairman following the AGM in July 2019 and I was appointed to succeed him. James Williams will retire as a non-executive director at the forthcoming AGM after serving on the Board for 11 years. James has been the Senior Independent Director on the Board and I am pleased that Andrew Watkins has agreed to fulfill this role following James' retirement. I would like to thank James for his considerable contribution to the Board over the entire period of his appointment. His wisdom and experience will be missed.

Julia Le Blan (Chair of the Audit Committee) will have served as a Director for 10 years when we reach the AGM in 2021. It is the current intention that Julia will retire at that meeting. Following Julia's retirement no Director will have served on the Board for a period longer than 9 years.

We were delighted to recently announce two new appointments to your Board. Helen Galbraith (nee Driver) and Stephen Mitchell were appointed as non-executive directors with effect from 6th May 2020. Both have considerable experience in the Investment world and will bring complementary skills to your board.

Helen commenced her career with Standard Life Investment Management and subsequently managed funds for Legal & General and was Head of Global Equities at Aviva Investors. She has considerable experience of managing Income funds. It is intended that Helen will become the chair of the Audit Committee when Julia retires.

Stephen recently retired as Head of Global Equity Strategy at Jupiter Asset Management and has, over his career, managed funds within a variety of asset classes, and has experience of managing Investment trusts at both JP Morgan Fleming and Caledonia Investment Trust.

I would like to welcome Helen and Stephen to the Board and look forward to working with them. I am sure both will make a significant contribution to the Board.

Full biographies of all the Directors appear on page 30 of this report.

Share Buy Backs

At the financial year end, the Company's ordinary share price and B share price stood at a discount to net asset value of 9.3% and 11.9% respectively. The average discount level at which the Company's Ordinary and B shares traded relative to net asset value in the year was 8.5% and 8.7% respectively.

During the year the Company bought back 405,491 Ordinary shares and 117,953 B shares, representing 0.5% and 0.4% of the Ordinary shares and B shares in issue at the start of the year. The shares were bought back in line with the Company's stated policy, which is to repurchase shares of either class, at the Director's discretion, when there are net sellers and the market price stands at a discount to net asset value of 5.0% or more. The price paid for the ordinary shares bought back represented a discount of approximately 13% to the prevailing net asset value at the time of purchase.

Annual General Meeting

The Annual General Meeting is currently scheduled to be held on 27th July 2020 at the offices of BMO Global Asset Management, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG at 12 noon. In view of the current restrictions on travel and social distancing the meeting will not be held in the usual format. It will be restricted to the formal business of the meeting as set out in the Notice of the Annual General Meeting on pages 80 to 84 and as explained in more detail on pages 35 to 37 and will follow the minimum legal requirements for an AGM. On this occasion the Fund Manager will not attend the meeting and his presentation will be pre-recorded and made available on the Company's website together with some frequently asked questions.

If some measure of the Government's current restrictions and social distancing measures remain in place in July, shareholders are strongly discouraged from attending the meeting and entry will be restricted and/or refused in accordance with the Articles, the law and/or Government guidance.

Arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business concluded.

We would strongly encourage all shareholders to make use of the proxy form provided in order that you can lodge your votes. Voting on all resolutions will be held on a poll, the results of which will be announced and posted on the Company's website following the meeting.

In view of the revised format this year, should shareholders have any questions or comments in advance of the AGM these can be raised with the Company Secretary (UKHITCoSec@bmogam.com). These will be relayed to the Board and we will respond in due course.

The Board will keep the situation under review and any changes to the meeting or the location will be notified through the Company's website and announcements to the London Stock Exchange.

If any change or postponement was to be made to the AGM, it is not currently expected that it would have a material impact on the operation of the Company. Although the Company puts forward its dividend policy for approval at each AGM (Resolution 10 in the Notice of the AGM), the Company pays four interim dividends all of which have been paid already.

Outlook

Financial markets face the most uncertain outlook, certainly since 1974. Central Banks and Governments throughout the Western World have responded to the COVID-19 pandemic and the necessary restrictions to defeat it by creating vast liquidity and attempting to mitigate the economic effects of the restrictions by providing funds and liquidity directly to companies. It remains to be seen how effective this support will prove to be and how quickly economic activity will resume.

Stockmarkets will anticipate the outcome and if it is a successful outcome, capital returns will precede the evidence of growth in the form of rising profits and dividends. It is to be expected that dividend payments from Companies will lag any recovery, possibly quite considerably.

As I said above these are difficult and uncertain times for a UK orientated Income Trust and we are in for a testing year.

Your Board has confidence in your Manager's ability to outperform the "dividend" background. Shareholders should be comforted that the Board and Manager are firmly focused on delivering the best possible income outcome in these uncertain times.

Can I conclude by wishing you and your families all the very best of health in the current trying circumstances.

John M Evans
Chairman
28 May 2020

Purpose, Strategy and Business Model

Purpose and Strategy

The purpose of the Company is be a cost effective investment vehicle for investors seeking income and capital returns from a portfolio invested predominately in UK equities.

The investment objective is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth. We do this by investing predominantly in UK equities and equity related securities of companies across the market capitalisation spectrum. Our wider strategy is to promote the Company as a compelling investment choice through all available channels.

Business model

BMO UK High Income Trust PLC is a closed-end listed investment company and carries on business as an investment trust. As such, and as it has no employees, the Directors believe that the optimum basis for meeting their duty to promote the success of the Company and achieving its investment objective in the best interests of shareholders is to work closely with its appointed investment manager, BMO Investment Business Limited (the "**Manager**"). The Manager is part of BMO Global Asset Management ('**BMO GAM**") which is ultimately owned by the Bank of Montreal ("**BMO**"). Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company's assets, gearing, stock selection and risk management. Engagement on environmental, social and governance ("**ESG**") matters is undertaken by BMO GAM. As the Company is not constrained by asset sales to meet redemptions it is well suited to investors seeking longer term returns. Its share capital structure provides the flexibility to take a long-term view and to remain invested while taking advantage of illiquidity throughout normal and volatile market conditions. Having the ability to borrow to invest is a significant advantage over a number of other investment fund structures.

The Company's Board of non-executive Directors is responsible for the overall stewardship and governance of the Company and how it promotes the success of the Company is set out on pages 20 to 21. The Board currently consists of four male and two female Directors and their biographical details can be found on page 30. The Company has no executive Directors or employees.

The Board remains responsible for decisions over corporate strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 28 and 29, setting limits on gearing and asset allocation and monitoring investment performance.

The Manager

A summary of the terms of the management agreement is contained in note 4 to the financial statements. The Manager also acts as the Alternative Investment Fund Manager ('**AIFM**') under the Alternative Investment Fund Managers Directive ('**AIFMD**') and provides ancillary functions such as administration, accounting and company secretarial services to the Company.

Philip Webster is the Fund Manager appointed by BMO GAM and is a senior member of the BMO GAM investment team with 14 years' experience in managing investment companies. He is supported in carrying out research and in the selection of stocks by a team of investment professionals. Details of the Manager's investment philosophy and process are set out on pages 14 to 15.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering the investment objective for shareholders and an important responsibility of the Directors as part of their governance, is the annual evaluation of the Manager. The outcome of the evaluation in the current year, which was conducted by the Engagement and Remuneration Committee, is set out on page 42.

Investment policy

The Company's investment policy is set out on page 28 and an analysis of the investment portfolio is contained on pages 16 to 18.

Any material change to the Investment policy of the Company will only be made with shareholder approval.

Environmental, Social and Governance Impact

The Company's ESG policies, as set out on pages 26 to 27, are aligned towards the delivery of sustainable investment performance over the longer term.

As an investment trust, with no employees or premises the Company has no significant direct social, human rights, community or environmental responsibilities. The Company's indirect impact occurs through the businesses in which it invests and it seeks to mitigate this through BMO GAM's Responsible Investment Approach.

Principal Risks and Uncertainties

Like all businesses, investment opportunities do not come without risks and the Company's Principal Risks and Uncertainties that could threaten its objective, strategy and performance are set out in detail on pages 22 and 23 and how the Board manages such risks. The performance of the Manager is monitored at each Board Meeting and the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlook, revenue forecasts, internal controls, marketing and regulatory updates. It also considers compliance with the investment policy, other investment restrictions and compliance with borrowing covenants.

In addition to managing the investments, ancillary functions such as administration, accounting, company secretarial and marketing are also carried out by the Manager. The Directors also review these services, and those provided by other suppliers, such as JPMorgan Europe Limited, the Depositary and JPMorgan Chase Bank, the Custodian in their duties of safeguarding the Company's assets.

Review of Performance and Outlook

The key policies applied in running the Company are set out on pages 28 to 29 and the Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 19.

Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 6 to 8 and the Manager's Review on pages 11 to 13, both of which form part of this Strategic Report.

Stakeholder communication and Marketing

The Company welcomes the views of all shareholders and places great importance on communication with its shareholders. In addition to the annual and interim reports that are available for shareholders, monthly fact sheets and additional information is included on the Company's website at www.bmoukhighincome.com.

The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. In addition, meetings are held regularly with current and prospective shareholders and analysts covering the investment trust sector. Under normal circumstances the Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. However, in light of the impact of COVID-19 the Board has made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement on page 8. Through BMO GAM, we also make sure the BMO savings plan investors are encouraged to vote at the AGM in addition to those who hold their shares on the main shareholder register. Details of the proxy voting results on each resolution are published on the website.

The Company fosters good working relationships with its key stakeholders; such as the Manager, shareholders and other service providers. The Board works closely with BMO GAM to ensure optimal delivery of the Company's investment proposition through all available channels and together with BMO GAM we remain focused on promoting the success of the Company.

The Manager offers a range of private investor savings schemes which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 88.

Manager's Review

"With every crisis comes an opportunity to buy quality companies at valuations that are very compelling"

Philip Webster

When it comes to the current environment, it is difficult to know where to start. I have listened to numerous commentators and economists over the last few weeks and the more I hear, the more questions I have. How long will we be in lockdown? How do governments start to get the system back to work? (the answers will vary by region). Will there be a second wave of infections as social distancing is relaxed? And, of critical importance, what happens when the government withdraws support for wages? Consumer behaviour and demand post-pandemic will ultimately decide the level of unemployment and help to answer the key question: will the economy grow or contract, and how will markets react?

While this may be a slight tangent, it is relevant to the above discussion. As you will know, we embarked on a new strategy three years ago. This was a combination of simplifying the message, concentrating and differentiating the portfolio, and importantly, upgrading the quality of our holdings.

At the outset of the pandemic the focus was on the ability of companies to survive while Government restrictions were in place. We believe our focus on the quality of our holdings has stood us in good stead and given us comfort on both the level of liquidity held to meet obligations, including debt repayments and investees' margins over bank covenants which indicate the likelihood of them defaulting on their debt. This was all about liquidity, or more simply, having enough cash to survive a collapse in revenue, and for how long? Without this shift we would have been in a tougher position to weather the liquidity squeeze that drove the initial sell-off.

Given the number of unknowns, we have focused our efforts on the knowns, i.e. the liquidity of each company in the portfolio. As a team, we have run due diligence on all of our holdings, speaking with most management teams to assess how they plan to deal with the current environment. Clearly, the dispersion of answers is extremely wide at this juncture and none have all the answers. Like us, they have stress-tested some very extreme scenarios, especially those that will be hit hardest, in some cases, for example Wizz Air, their extreme scenario was zero revenue for the rest of this year.

In summary, and caveated, we are as comfortable as we can be that our holdings have raised additional debt, drawn down on cash facilities and cancelled share buybacks and dividends to give their businesses the best chance of survival. While this is going to be a tough year for dividends, capital preservation and durability of the business into the medium-term are foremost in my thought process, as there will be some incredible opportunities for the stronger businesses when we emerge from this pandemic.

Performance

Over the financial year the NAV total return of the Ordinary shares and B shares fell -21.4% compared to the -18.5% decline in the benchmark. While this was disappointing, we were tracking significantly ahead in January and February before the onset of Coronavirus. The underperformance was therefore focused on the end of March, reasons for which I have outlined below. I would also like to add that through April we have caught up, and are now currently tracking ahead of the benchmark, highlighting how quickly this can change and the lack of benchmarking within the portfolio.

To understand why we have underperformed, I need to explain how the investment portfolio was constructed. As the Chair noted in his statement, it is always disappointing to underperform, especially so in weaker markets. When you build quality portfolios consisting of companies with strong balance sheets you expect that to provide more protection, which is why I feel this needs further explanation. Whilst some of the underperformance is short-term stock picking, as I have intentionally selected stocks that were out of favour (and therefore better value), my investment style also has not helped.

There were two key moves I made when the investment portfolio was repositioned. The first was to reduce our exposure to the mega-caps, where I felt business models were weak or I had no informational advantage. The current oil price shock is a good example, as energy companies are 'price takers' (have no control over the price of the main raw material: oil that defines their business) – in this case, my underweight to this sector was helpful. I also cut several of what might be deemed more stable and steady names like

Unilever, Diageo (although I have recently bought this back at a better valuation) and AstraZeneca. The investment portfolio is underweight the oil & gas sector, and has no high street banks, both sectors that have performed disastrously. Conversely, being underweight larger capitalised names in totality has hurt relative performance.

The second move was to rebalance the portfolio down the market-cap spectrum, adding significantly to domestic UK mid-caps. I have always felt this part of the market is a more fertile hunting ground for quality businesses that can deliver solid compounding returns. This was a harder trade for me to make as I am a growth investor at heart. Valuations for quality growth businesses, were in my opinion, so extreme at the time given their 'bond-proxy' status, that I felt strategically this was the wrong call to make. I therefore sought quality value names that I felt were being incorrectly valued due to Brexit.

While I still believe this is the correct strategy, these quality value businesses, being more domestically focused, have hurt performance in the short term. Prior to the outbreak of coronavirus, we had in fact caught the index and were beginning to outperform. I have said this before but sometimes you need to take the contrarian stance and be sitting somewhere uncomfortable to make money. I therefore view this as a short-term setback, I have been here before, we just need to be patient. While I understand investor panic, personally I view periods like this as an opportunity to improve a portfolio and buy quality businesses at valuations that will in 2-3 years' time seem crazy.

The below relative position shows our portfolio construction in practice and the differentiated nature of the portfolio.

Company	Relative Weight against the FTSE All-Share Index* (%)
RELX	5.26
British American Tobacco	4.67
Kerry Group	4.61
Close Brothers Group	4.42
GlaxoSmithKline	3.97
Phoenix Group Holdings	3.52
Pennon Group	3.34
Cairn Homes	3.21
Rio Tinto	2.85
Intermediate Capital Group	2.81

* Illustrates the difference between the Company's position in individual holdings as compared to their weighting in the FTSE All-Share Index at 31 March 2020.

Activity

Given the amount of turnover in the first 2 years, it is no surprise that we have considerably more comfort in our holdings and the shape of the portfolio. An investment portfolio is never 'complete'; there are always changes you want to make, but the portfolio does not have a tail of small positions where I lack conviction, every name counts. It is our plan to return towards 35 holdings or above in the foreseeable future, so as opportunities arise, we will add new names to the portfolio.

Having reduced HSBC considerably from 5% of the portfolio over the last few years, we concluded the exit, at the turn of the year. We used the proceeds to initiate a position in Richemont. Richemont is the owner of Cartier and Van Cleef & Arpels, two highly regarded jewellery brands, which form the cornerstone of the group's profitability. They also own several specialist watch brands including Panerai, Vacheron Constantin and IWC. While the jewellery business is very high quality, the group has been under pressure as they repositioned their watch portfolio – redesigning Cartier, reducing their reliance on the wholesale channel whilst at the same time, reducing the level of inventory in the system. This has been further challenged by the losses at their online platform Yoox Net-A-Porter, which is undergoing high levels of investment to transform its technology. We believe that the brands they own are first-class and that the issues they are currently facing are temporary, and should release value over the medium term.

We also purchased back Diageo with the valuation more palatable than at the point of sale. They will be impacted, especially by the closure of the "on-trade", bars and hotels where they sell a lot of their premium products. That will be partially mitigated by consumers switching to "off-trade" (home) drinking, but this will not make up for the current shortfall in earnings. I will use this opportunity to build up the weight. We also bought back the combined Just Eat Takeaway, having sold Just Eat when it was bid for by Takeaway. I have long been an advocate of these business models but Just Eat had short-term issues in the UK that needed to be dealt with, at an unknown cost to profitability. I know the Takeaway business well and the founder and CEO, Jitse Groen, is the right man to lead the combined group. There is a lot of value in Just Eat to be released, whether that be through the sale of iFood (minority Brazilian stake), or its Canadian or Australian assets. Focusing the business and turning around the UK market should release significant upside over the medium term. Sales have held very firm during the pandemic, aside from the first week of lockdown when they saw a slight dip. The competitive landscape should also change over the medium term as access to capital becomes tougher for Deliveroo and Uber Eats.

In terms of complete sells, these have been few and far between. We sold a small position in fund manager M&G after it was spun-out of Prudential. As we already held Jupiter, we did not see any need for another name in the same space. We also exited Sage after a very strong run, and a valuation that was full despite some competitive headwinds in their markets. Finally, Sophos was bid for by Thoma Bravo, a private equity business. This was an all-cash offer at $7.40, which was at a significant premium to the undisturbed price prior to the bid.

Dividends

My opening remarks around the new strategy and the quality upgrades that we have made are more pertinent when it comes to dividends. I would like to make it clear that recently I have had several discussions with management teams and, where necessary, advised them to cut the dividend. This is not because they cannot afford to pay, but in certain cases, namely housebuilders, there is no visibility on the outcome and therefore preservation of capital and the business will always take priority over the dividend. The ability of a company not just to survive, but to invest and to retain talent is fundamental to maintaining the best possible business into the future. There will be huge opportunities for strong, well-capitalised businesses to accelerate growth if they get their planning right and position themselves to capitalise after the current extreme event has subsided.

I have strong views on certain sectors that I either do not own or where we have considerably reduced our exposure. I have exited all our UK high street bank holdings; HSBC was the last position to be sold at the turn of the year. My preference is to own niche banking or financial businesses like Brewin Dolphin, Intermediate Capital and Close Brothers, that I feel have stronger business models and a competitive advantage. While the banks have become political footballs with the regulator telling them to cut their dividends (13% of the total UK Index income) we have seen several of our holdings in the financial sector continue to pay, so far, despite being impacted.

Oil & gas is another sector I have long been wary of, and while we still hold small and underweight positions in Shell and BP, I have made it clear to the Board, and shareholders, that these are not positions I want to hold in the medium term. The reason is I have zero informational advantage on the oil price, and these businesses barely cover their cost of capital in the good times. At $17 per barrel, this is an extreme event, but the 66% dividend cut by Shell tells you how poorly balanced these business models are when it comes to the cash flow. We have, therefore, mitigated the worst of the portfolio's exposure, which was another key element of the quality improvement that we embarked upon in 2017.

What the future may hold

We have undertaken stress-testing on our revenue account and discussed the current best-case and worst-case scenarios with the Board. The latter includes those companies we believe will not pay uncovered dividends, or where management changes may force this upon us.

This year should be the toughest, but we also have to be mindful that this stress could drag on into 2021. As the Chairman noted this is very difficult to forecast, but we believe our revenue expectation for the portfolio companies is currently tracking ahead of the market forecasts.

I would also note that out current gearing is also very marginal, 3.4% at the year-end. As you will know we have a fixed rate facility of £7.5m, which we have drawn down, however we held cash of £4m at the year-end. We also have a revolving credit facility of £7.5m, which is currently undrawn. We regularly discuss the appropriate level of gearing to deploy with the Board and currently feel with the total lack of visibility, now is not the appropriate time. When we deploy this it is likely to provide an additional boost to revenue which we have not included in our current forecasts.

Outlook

Forecasting the direction of economies and markets is not within our skillset, our focus lies elsewhere – a sensible stance given there is very little visibility on anything as we stand. If we consider for example just the practicalities of getting back to normal working life and how that knocks-on to the wider economy in terms of activity one can see how difficult it is to predict outcomes. There is a once in a decade opportunity to add to some of the more cyclical names we hold which have been impacted most, although for now I feel patience is required. The second quarter earnings are going to be very messy indeed as the full effect of the lockdown in the US and Europe comes to the fore. What recovery from that looks like is hard to gauge and rather than indulging in guess work, our near-term focus is on trying to protect capital, monitoring positions and identifying opportunities which we can harness once more clarity emerges.

Philip Webster
Fund Manager
BMO Investment Business Limited
28 May 2020

Manager's Investment Philosophy and Process

We believe investment markets can be inefficient and that 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 the intrinsic value of a business.

By investing in such companies at attractive prices, superior investment performance can be generated. In particular, we believe those companies that can compound returns at sustainably high rates over many years tend to be undervalued by the market. 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 that 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 the high returns generated by our holdings 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 that 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 is a thorough assessment of the sustainability of the company's competitive position and returns it can generate, and the ability of the management team and its alignment with shareholders. ESG is also built into the process so the Manager is aware of the wider risks that could affect the company. While we consider these factors, and the Manager will assess them alongside all the investment risks, it is only one of several inputs driving the ultimate decision. 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 investing, we ascertain that 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.

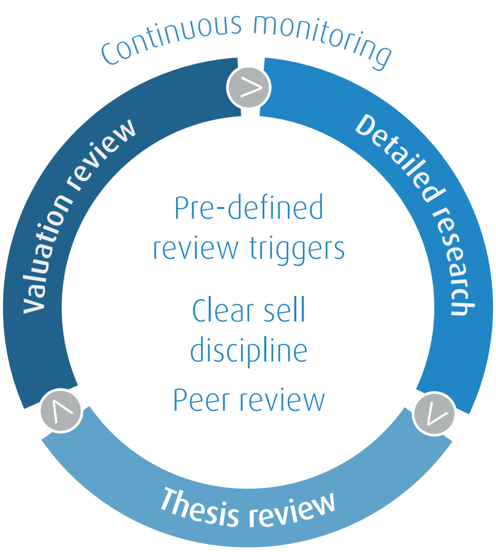
Our research is conducted in-house, which is peer reviewed by the wider investment team prior to any purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. The progress of the company and its share price will then be continually monitored with in-depth reviews and retesting of the original investment thesis particularly if the company or its share price don't 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; continual 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.

Philip Webster
Fund Manager
28 May 2020

Implementation of the Investment Process



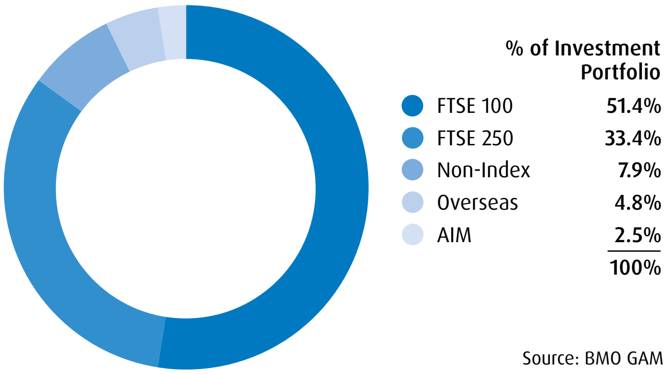
Classification of Investments

The following table shows, at 31 March 2020, the percentage weightings by sector of the investment portfolio in comparison to the FTSE All-Share Index.

Investment Portfolio by Sector

Sector	2020 % Total investments	2020 FTSE All-Share Index
Financials	30.0	25.8
Consumer Goods	27.5	15.7
Consumer Services	16.2	11.3
Healthcare	8.2	11.2
Basic Materials	5.7	7.4
Oil & Gas	5.4	10.3
Utilities	3.6	3.7
Industrials	3.4	11.1
Technology	–	1.0
Telecommunications	–	2.5
Total	100.0	100.0

Investment Portfolio analysis by Index as at 31 March 2020



Source: BMO GAM

Investment Portfolio

At 31 March 2020		
Company	Market Value 31 March 2020 £'000	% of total Investments
British American Tobacco (Consumer Goods – Tobacco) British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products. It is also at the forefront of developing alternatives to traditional tobacco products.	7,645	8.3
GlaxoSmithKline (Health Care – Pharmaceuticals & Biotechnology) GlaxoSmithKline is a global manufacturer and marketer of pharmaceutical products.	7,590	8.2
RELX (Consumer Services – Media) RELX is a multinational information and analytics company.	6,587	7.1
Rio Tinto (Basic Materials – Mining) Rio Tinto is a diversified international mining company.	4,793	5.2
Kerry Group (Consumer Goods – Food Producers) Kerry Group engages in the manufacturing and distribution of food and beverages.	4,272	4.6
Close Brothers Group (Financials – Banks) Close Brothers Group is a niche UK merchant banking group providing lending, wealth management services and securities trading.	4,156	4.5
Compass Group (Consumer Services – Travel & Leisure) Compass Group is a multinational contract foodservice company.	3,642	3.9
Prudential (Financials – Life Insurance) Prudential is an international financial services group.	3,538	3.8
Phoenix Group Holdings (Financials – Life Insurance) Phoenix Group Holdings operates as a life and pensions consolidator.	3,433	3.7
Pennon Group (Utilities – Gas, Water and Multi utilities) Pennon Group engages in the provision of water management and sewerage services.	3,335	3.6
Ten largest investments	**48,991**	**52.9**

At 31 March 2020			
Company	Sector – Sub Sector	Market Value 31 March 2020 £'000	% of total Investments
Cairn Homes	Consumer Goods – Household Goods & Home Construction	2,979	3.2
Berkeley Group Holdings	Consumer Goods – Household Goods & Home Construction	2,792	3.0
Royal Dutch Shell	Oil & Gas – Oil & Gas Producers	2,744	3.0
Intermediate Capital Group	Financials – Financial Services	2,732	3.0
LondonMetric Property	Financials – Real Estate Investment Trusts	2,535	2.7
Brewin Dolphin	Financials – Financial Services	2,473	2.7
Beazley	Financials – Non-Life Insurance	2,419	2.6
Imperial Brands	Consumer Goods – Tobacco	2,352	2.5
BP	Oil & Gas – Oil & Gas Producers	2,217	2.4
Neinor Homes	Financials – Real Estate Investment & Services	2,041	2.2
Twenty largest investments		**74,275**	**80.2**
Wizz Air Holdings	Consumer Services – Travel & Leisure	2,018	2.2
Vistry Group	Consumer Goods – Household Goods & Home Construction	1,922	2.1
Compagnie Financière Richemont	Consumer Goods – Personal Goods	1,864	2.0
Legal & General Group	Financials – Life Insurance	1,644	1.8
Signature Aviation	Industrials – Industrial Transportation	1,623	1.7
Diageo	Consumer Goods – Beverages	1,594	1.7
Just Eat	Consumer Services – General Retailers	1,583	1.7
Melrose Industries	Industrials – Industrial Engineering	1,569	1.7
Jupiter Fund Management	Financials – Financial Services	1,410	1.5
Burford Capital	Financials – Financial Services	1,172	1.3
Thirty largest investments		**90,674**	**97.9**
ASOS	Consumer Services – General Retailers	1,152	1.2
Lenzing	Basic Materials – Chemicals	511	0.6
Investors Securities Company Limited	N/A (subsidiary undertaking)	250	0.3
Total investments		**92,587**	**100.0**

Key Performance Indicators

The Board recognises that it is the distribution level of the Ordinary shares and B shares together with the longer term share price performance that is most important to the Company's investors. Share price performance is largely driven by the performance of the net asset value. The Board assesses its performance in meeting the Company's objective against the key performance indicators ("KPIs") (also referred to as Alternative Performance Measures) set out below. Commentary on these measures can be found in the Chairman's Statement on pages 6 to 8 and the Manager's Review on pages 11 to 13.

Total return performance[1] – 31 March 2020

	1 Year %	3 Years %	5 Years %	10 Years %	
Net asset value per Ordinary share, B share and per unit	-21.4	-20.7	-6.8	48.0	
Ordinary share price	-22.8	-22.2	-11.3	44.3	This measures the Company's share/unit price and NAV total return, which assumes distributions paid by the Company have been reinvested, relative to the benchmark.
B share price	-25.0	-24.7	-14.0	23.7	
Unit price	-22.7	-22.3	-12.7	43.6	
Benchmark[2]	-18.5	-12.8	2.3	55.8	

Source: BMO GAM and Refinitiv Eikon.

Distribution Yield[1] % – 31 March

	2020 %	2019 %	2018 %	
Ordinary shares	7.5	5.3	5.1	This shows the Company's distribution yield at the year-end relative to the benchmark.
B shares	7.7	5.3	5.1	
Yield-FTSE All-Share Index	5.5	4.2	3.9	

Source: BMO GAM and Refinitiv Eikon.

Average discount[1] to NAV

During the finanial year to 31 March	Ordinary shares %	B shares %	Units %	
2020	-8.5	-8.7	-9.7	This is the average difference between the share/unit price and the NAV per share/unit during the financial year.
2019	-7.2	-6.9	-7.9	
2018	-6.6	-6.6	-6.8	

Source: BMO GAM

Ongoing charges ratio – 31 March[1]

	%	
2020	0.96	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2019	0.98	
2018	0.91	

Source: BMO GAM

[1] See Alternative Performance Measures on pages 91 and 92 for explanation.

[2] Benchmark – see definition on page 2.

Promoting the Success of the Company

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 9, the Company is an externally managed investment company and has no employees or premises. The Company's shareholders are its customers and key stakeholders.

The Board believes that the optimum basis for meeting its duty to promote the success of the Company is by appointing 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.

As set out on page 9, the Board's principal working relationship is with the Manager which is responsible for the management of the Company's assets in line with the investment objective and policy. The Manager also provides administrative functions to the Company and acts as the AIFM.

The Board works closely with the Manager and oversees the various matters which have been delegated to it, and to ensure the Company's daily operations run smoothly for the benefit of all shareholders. The portfolio activities undertaken by our Manager are set out in the Manager's Review on pages 11 to 18.

While the Company's direct impact on the community and environment is limited, its indirect ESG impact occurs through the businesses in which it invests. The Board seeks to mitigate this through the Manager's Responsible Investment approach which is set out on pages 26 and 27. The Board is very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals ("**SDGs**").

In addition to the Company's Manager, other stakeholders include its service providers such as the custodian and depositary, broker, registrar and lender.

The Board receives regular reports from the Company's key service providers on an ongoing basis and evaluates them to ensure expectations on service delivery are met. 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 42.

The Board places great importance on communication with shareholders and further information is set out on page 10.

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

- Dividends/capital repayments.
  The Board recognises that the distribution levels on the Company's shares are important to shareholders. Following the payment of the fourth interim dividend and capital repayment with respect to the financial year to 31 March 2020, total dividends/capital repayments will total 5.21p per share. This represents an increase of 3.4% compared to the prior year. When this fourth interim dividend/capital repayment was announced it represented a yield of approximately 5.3% as compared to the yield on the FTSE All-Share Index of 4.4% at that time.
- Board refreshment
  The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the new UK Code including guidance on tenure. As such, as part of the ongoing board refreshment process; following the year end, the Board appointed Mrs Helen Galbraith (nee Driver) and Mr Stephen Mitchell as non-executive directors on 6 May 2020. Their biographies are included on page 30 and the process which was followed is set out on page 41. This recruitment now allows for the retirement of the longer serving directors while balancing the need to ensure an adequate level of continuity and experience on the Board thereby acting in the best interests of shareholders.

- Resale of treasury shares
  Historically, while shareholders have granted approval at each AGM that treasury shares could be sold at a discount to NAV, subject to set conditions, in practice the Company has resold treasury shares at or above NAV. Having discussed this with a number of shareholders, the Board has agreed not to seek shareholder approval to sell treasury shares at a discount to NAV at the forthcoming AGM. Accordingly, in future, if approved by shareholders, treasury shares may only be sold at or above NAV thereby ensuring shareholders interests are not diluted.

- Investment Portfolio
  Following the changes made to the investment policy in July 2017 the Manager has continued to focus on the delivery of these changes and which the Board believes will provide an attractive, relevant and ultimately differentiated income strategy for our shareholders over the longer term. This has included the repositioning of the investment portfolio to provide a better balance between capital and dividends and reducing exposure to the mega-cap companies. This should enhance the investment portfolio's longer term potential and the Board believes that this will help the Board and Manager seek to deliver for shareholders during these current uncertain times.

- Costs
  One of the Company's KPIs is cost efficiency and the Board monitors costs closely and strives to keep these as competitive as possible for the benefit of our shareholders. With effect from 1 April 2018 the investment management fee was reduced from 0.75% to 0.65% per annum on the NAV which continues to help our ongoing charges.

Principal Risks and Uncertainties and Viability Statement

Most of the Company's principal risks and uncertainties that could threaten its objective, strategy, future performance, liquidity and solvency are market related and comparable to those of other investment trusts investing primarily in listed securities.

A summary of the Company's internal controls and risk management arrangements is included within the Report of the Audit Committee on pages 43 and 44. By means of the procedures set out in that summary, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Any emerging risks that are identified and that are considered to be of significance would be included on the Company's risk radar with any mitigations. These significant risks, emerging risks and other risks, including Brexit are regularly reviewed by the Audit Committee and the Board. Most recently, consideration has been given to the potential impact from Coronavirus (COVID-19) and is referred to in Financial Risk. Additionally, Operational Risk has been expanded to include pandemic risks. It has also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period. Whilst there are ongoing uncertainties relating to the UK's continuing trade negotiations with the EU following its departure on 31 January 2020, the Board does not consider that any related outcome will have a significant impact on the operations of the Company.

The principal risks and uncertainties faced by the Company, and the Board's mitigation approach are described below.

Note 21 to the financial statements provides detailed explanations of the risks associated with the Company's financial instruments and their management.

Principal Risks and Uncertainties	Mitigation
Financial Risk The Company's assets consist mainly of listed equity securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. There is currently increased uncertainty in markets due to the effect of COVID-19 which has led to falls and volatility in the Company's NAV. During the period the risks attached to Brexit appear to have increased as time is running out to reach agreement with the EU and the Government is preoccupied with COVID-19. Climate change is likely to have an impact on some of our investee companies in the coming years potentially affecting their operating models for example, supply chains and energy costs. The effects have yet to be fully understood. **Increase in overall risk due to the impact of COVID-19 and Brexit**	The Board regularly considers the composition and diversification of the Investment Portfolio and considers individual stock performance together with purchases and sales of investments. Investments and markets are discussed with the Manager and a Strategy meeting is held annually (at which investment performance is discussed in detail). Engagement on environmental, social and governance matters is undertaken by the Manager. The effect of COVID-19 on the markets and which has contributed to significant volatility is discussed in the Chairman's Statement and Manager's Review. As a closed-end investment trust the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns and to remain invested through volatile market conditions. An explanation of these risks and the way in which they are managed are contained in note 21 to the financial statements.
Investment and strategic risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders including impacting the capacity to pay dividends. **No change in overall risk**	The Company's objective and investment policy and performance against peers and the benchmark are considered by the Board at each meeting. A separate Board meeting is also held each year to consider strategic issues. The Investment Portfolio is diversified and comprises listed securities and its composition is reviewed regularly with the Board. BMO GAM's Investment Risk team provides oversight on investment risk management. Market intelligence is maintained via the Company's Broker and the effectiveness of the marketing strategy is also reviewed at each meeting. The Manager also meets with major shareholders. The Board regularly considers operating costs combined with underlying dividend income from portfolio companies and the consequent dividend paying capacity of the Company.

Principal Risks and Uncertainties	Mitigation
Regulatory Breach of regulatory rules could lead to the suspension of the Company's Stock exchange listing, financial penalties, or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. Changes to tax regulations could alter the market competitiveness of the Company's B shares. **No change in overall risk**	The Board liaises with advisors to ensure compliance with laws or regulations. The Manager and its Business Risk department provide regular reports to the Board and Audit Committee on their monitoring and oversight of such rules and are reviewed by the Board. This includes the conditions to maintain investment trust status including the income distribution requirement. The Board has access to BMO GAM's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately.
Operational Failure of the Manager's systems or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. This risk includes failures or disruption as a consequence of external events such as the current COVID-19 pandemic. External cyber attacks could cause such failure or could lead to the loss or sabotage of data. **Increase in overall risk due to the impact of COVID-19**	The Board meets regularly with the management of BMO GAM and its Business Risk team to review internal control and risk reports which includes oversight of third party service providers. The Manager's appointment is reviewed annually. The contract can be terminated with six months' notice. A business continuity plan is in place. The Manager continues to benefit from the long-term financial strength and policies of its parent company, Bank of Montreal ("BMO"). BMO GAM has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('State Street') and supervision of such third party service providers, including SS&C who administer the BMO savings plans, has been maintained by BMO GAM and includes the review of IT security and heightened cyber threats. As a consequence of the COVID-19 pandemic and the measures put in place by the UK government, the Manager has implemented working from home arrangements for its staff for all roles that can be performed remotely. BMO GAM has robust contingency plans to ensure it can safeguard its employees, continue serving clients and keep operations running effectively and in compliance with its regulatory obligations. The Company's other third party service providers have also implemented similar arrangements to ensure no disruption to their service. Having considered these arrangements and reviewed the service levels in recent months, the Board is confident that the Company continues to operate as normal and expected service levels will be maintained.
Custody risk Safe custody of the Company's assets may be compromised through control failures by the custodian. **Increase in overall risk due to the impact of COVID-19 on working practices**	The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Board also receives periodic updates from the custodian on its own cyber-security controls. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.

Viability assessment and statement

In accordance with the UK Corporate Governance Code, the Board is required to assess the future prospects for the Company, and has considered that a number of characteristics of its business model and strategy were relevant to this assessment:

- The Board looks to long-term outperformance rather than short-term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested mainly in liquid listed securities and that the level of borrowing is restricted.
- The Company is a closed-end investment trust, whose shares are not subject to redemptions by shareholders.
- Subject to shareholder continuation votes, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Index over the relevant five year period, the Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depositary.
- The borrowing facilities, which remain available until September 2022, are also subject to formal agreements, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- Cash is held with banks approved and regularly reviewed by the Manager.
- The operational robustness of key service providers and the effectiveness of business continuity plans in place in particular given the current impact of COVID-19.

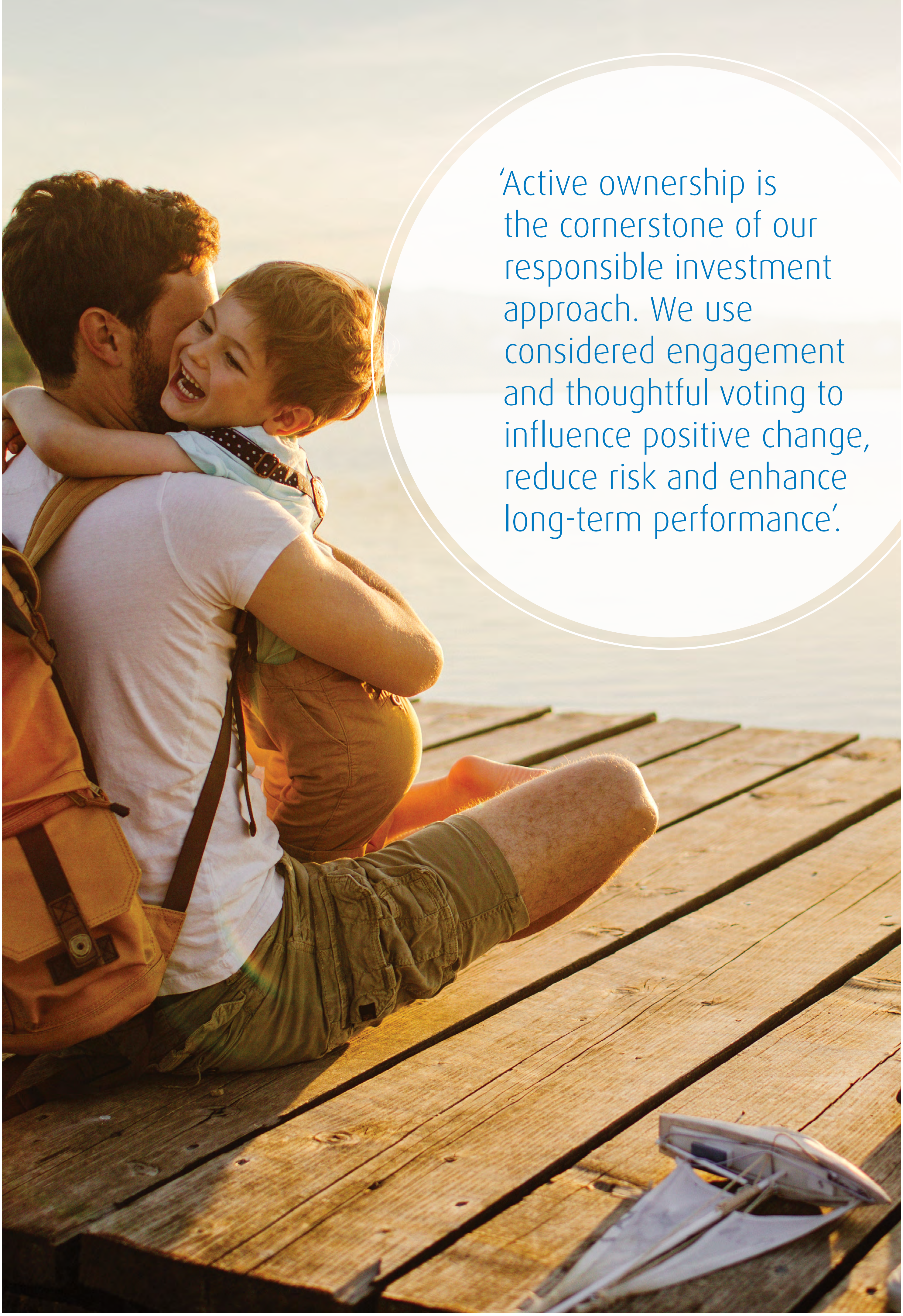
In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance, liquidity and solvency. This included the potential impact of COVID-19. These risks, their mitigations and the processes for monitoring them are set out on pages 22 and 23 on Principal Risks and Uncertainties, pages 43 and 44 in the Report of the Audit Committee and in Note 21 of the financial statements.

The Directors have also considered:

- the level of ongoing charges incurred by the Company which are modest and predictable and total 0.96% of average net assets,
- future revenue and expenditure projections,
- the Company's borrowing and liquidity in the context of the fixed rate loan which is due to mature in September 2022,
- its ability to meet liquidity requirements given the Company's investment portfolio consists mainly of readily realisable listed equity securities which can be realised to meet liquidity requirements if required,
- the ability to undertake share buybacks if required,
- the effect of significant future falls in investment values and the ability to maintain dividends and capital repayments, particularly given the impact of the COVID-19 pandemic and its impact on the global economy and
- the uncertainties relating to the UK's continuing trade negotiations with the EU following its departure on 31 January 2020.

These matters were assessed over a five year period to May 2025, and the Board will continue to assess viability over five year rolling periods, taking account of severe but plausible scenarios. A rolling five year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to May 2025.


'Active ownership is the cornerstone of our responsible investment approach. We use considered engagement and thoughtful voting to influence positive change, reduce risk and enhance long-term performance'.

Environmental, Social and Governance ("ESG") policies

In setting the Company's ESG policies, the Board has considered the requirements of s172 of the Companies Act 2006 in promoting the success of the Company for the benefit of stakeholders.

Our approach

Environmental, social and governance issues can present both opportunities and threats to the long-term investment performance we aim to deliver to our shareholders. We are therefore committed to taking a responsible approach to ESG matters in ensuring that we have appointed a Manager that applies the highest standards of ESG practice in managing the Company's investments on behalf of shareholders. Our approach covers our own responsibilities on matters such as the composition of the Board, and also the impacts we have through the investments made on our behalf by our Manager which we recognise as the most material way in which we have an impact.

In setting and reporting on our ESG policies, we have considered the impacts of our activities and followed the relevant regulatory guidance including the requirements of section 172(1) of the Act. We have also reported under the UK Code of Corporate Governance (the "**UK Code**") published in 2018.

BMO GAM has a Responsible Investment team made up of 16 ESG Specialists. The Responsible Investment team supports other investment teams in active ownership (engagement and voting), ESG integration, supporting ESG specialist funds and services and in ESG thought leadership.

Responsible ownership

The Board supports the Manager in its belief that good governance and sustainability practices creates value. BMO GAM is 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 such it aims to systematically incorporate ESG factors into its investment processes. This is based on the view that companies with strong management focus on these areas have the potential to reduce risks facing their business and deliver sustainable performance over the longer term. Investee company boards are expected to disclose to shareholders that they are applying appropriate oversight, on material issues such as labour standards, environmental management and tax policies.

We believe that engaging with companies is best in the first instance rather than simply divesting or excluding investment opportunities. Engagement with companies on significant ESG matters, so as to reduce risk, improve performance, encourage best practice and underpin long-term investor value forms an important part of BMO GAM's approach towards responsible investment.

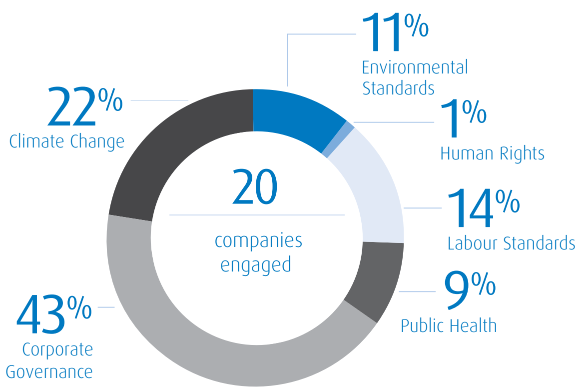
The Manager's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal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

Example engagement in practice

Company	Topic	Engagement
BP PLC	Climate change	BP is the company with the highest number of engagement activities conducted across all the companies we cover with close to 200 ESG engagement activities conducted since 2006. Of these engagements, Climate change has been our focus as the company is one of the oil supermajors. In February 2020, the new CEO Mr Bernard Looney made a set of climate change pledges with the overall ambition to see BP operating as a "net-zero emission" company by 2050. We have been providing feedback and helped shape these pledges since Q4 2019, including a series of meetings with Mr Looney when he was the CEO-elect. These pledges are, in our view, significantly important to the low carbon energy transition required to limit global warming to well below 2-degree Celsius. We will continue our engagement with the company as it is going to publish more details on its strategy to achieve these ambitions.
Vistry Group	Corporate Governance	Levels of compensation and other incentives should be designed to promote the long-term success of the company and reflect the work carried out and the executives' contribution to the company. We engaged with Vistry during the introduction of a new remuneration policy in December. This will remain in place for three years following the merger with Galliford Try Homes. We engaged the company prior to the meeting, suggesting several potential improvements, but ultimately did not support the amended policy at the shareholder meeting. The proposals received a significant vote against at the meeting resulting in a further review of the policy by the remuneration committee. As a result of this review, we were pleased to be informed of changes to the annual bonus deferral structure suggested by BMO. These will greatly increase the ability of the remuneration committee to implement clawback and malus provisions on incentive awards should the need arise.

Engagement

In the year ended 31 March 2020, BMO GAM engaged with 20 of the investee companies held by the Company on a range of environmental, social and governance topics as illustrated below.



Voting

BMO GAM's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance and we expect our shares to be voted on all holdings where possible. In the absence of explicit instructions from the Board, BMO GAM is empowered to exercise discretion in the use of the Company's voting rights and are voted in accordance with BMO GAM's own Corporate Governance Guidelines, with oversight from the Responsible Investment team.

BMO GAM's statement of compliance with the UK 2012 Stewardship Code has been reviewed and endorsed by the Board, which encourages and supports BMO GAM on its voting policy and its stance towards ESG issues. The statement has been awarded Tier 1 status by the Financial Reporting Council ("**FRC**") for its Stewardship Code Compliance Statement. It is available on BMO GAM's website.

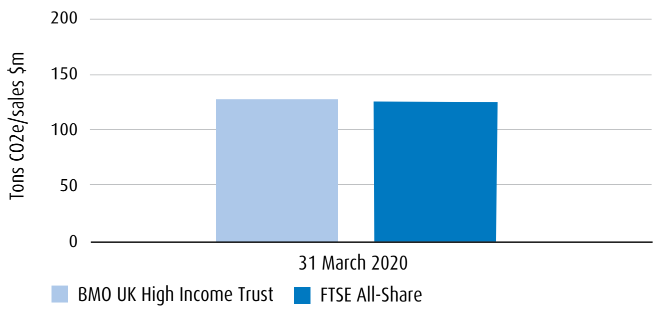
In October 2019, the UK Financial Reporting Council launched the UK Stewardship Code 2020 ("**Stewardship Code**") which took effect on 1 January 2020. This sets out an ambitious standard for effective stewardship in the UK, defining stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'.

BMO GAM is committed to becoming a signatory of the new Stewardship Code and, as required by the FRC, will report on how they have applied the provisions in their annual Responsible Investment Review in early 2021. Because BMO GAM believes that its approach to stewardship is already substantially aligned with many of the expectations of the Stewardship Code, relevant information will already be incorporated in the Responsible Investment Review covering stewardship activities for 2019, which is available at bmogam.com.

With respect to the Company's investments, in the year to 31 March 2020, BMO GAM voted at 43 company meetings and exercised at least one vote against management at 30% of these meetings. Overall 96.5% of votes were with management and 3.5% of votes were against management.

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 this report, 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 a weighted average (by holding), and compared with the benchmark. The carbon footprint is a measure of the carbon intensity of the Company's portfolio against the benchmark. 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 below highlights that the Company's portfolio of investments is comparable with its benchmark.



Source: BMO Investment Business Limited

Policy Summary

Investment Policy

In pursuit of its objective, the Company invests predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

The objective will be to achieve a total return in excess of that of the FTSE All-Share Index. The Manager will approach investment portfolio construction with the aim of maintaining a diversified portfolio with approximately 40 holdings at any given time. No single investment in the portfolio may exceed 10 per cent of the Company's gross assets at the time of purchase. In addition, the Manager expects few individual holdings to exceed five per cent of the Company's gross assets at the time of purchase. There are no maximum levels set for exposures to sectors.

Income may be enhanced from the investment portfolio by writing call options, but only where the portfolio has an existing holding and the holding is greater than the amount of stock subject to the call option. The percentage of the portfolio that may be used to generate call premium is limited to 5 per cent by value at any one time. The Company may use derivatives for efficient portfolio management from time to time.

The Company has the power under its Articles of Association to borrow an amount up to 100 per cent of the Company's Adjusted Capital and Reserves. The Directors currently intend that the aggregate borrowings of the Company will be limited to approximately 20 per cent of the Company's gross assets immediately following drawdown of any new borrowings. The Directors will however retain flexibility to increase or decrease the level of gearing to take account of changing market circumstances and in pursuit of the Company's investment objectives.

As required by the Listing Rules, the Company has a policy to invest no more than 15 per cent of gross assets in other listed investment companies.

The Company's Benchmark

In order to simplify the measurement of the Company's performance, at the Company's Annual General Meeting on 5 July 2018 shareholders approved the proposal to change the Company's benchmark from the FTSE All-Share Capped 5% Index to the FTSE All-Share Index. The FTSE All-Share Capped 5% Index was the index referred to in the Company's Articles of Association (the "Articles") as the index against which the Company's performance was measured over the relevant five year period. Accordingly the FTSE All-Share Index is also now referenced in the Investment Policy set out above.

Gearing Policy

As explained in the Investment Policy statement, the Company has the flexibility to borrow and the Board has set a gearing limit. The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate.

The Company's borrowing facilities are described in more detail in the notes to the financial statements and at 31 March 2020 borrowings totalling £7.5 million had been drawn down.

Dividend/Capital Repayment Policy

Within the Company's investment objective is the aim to provide an attractive return to shareholders in the form of dividends and/or capital repayments.

In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, prevailing inflation rates, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. Dividends can also be paid from capital reserves where the balance on this reserve is positive. At the same time as dividend payments are made to Ordinary shareholders, capital repayments of the same amount are made to B Shareholders from the special capital reserve. Risks to the dividend policy have been considered as part of the Principal Risks and Uncertainties and Viability review on pages 22 to 24 and include financial risks leading to a deterioration in the level of income received by the Company or a significant change to the Company's regulatory environment.

Dividends/capital repayments are currently paid quarterly in August, November, February and May.

In the financial year to 31 March 2021 the Board is strongly minded to try and maintain the annual level of dividend/capital repayment.

Buy-backs/Discount Policy

Share buy-backs help reduce the volatility of the discount and enhance the net asset value per share for continuing shareholders.

While the Directors will at all times retain discretion over whether or not to repurchase shares, it will be the Company's policy, in the absence of unforeseen or extreme circumstances and subject to its policy of maintaining the Ordinary share: B share ratio within the range (72.5% : 27.5% and 77.5% : 22.5%), to repurchase shares of either class when there are net sellers and the market price stands at a discount to net asset value of 5 per cent or more. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. There is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold at a price not less than the net asset value per Share. For further details see the 'Treasury Shares' section on page 37.

Taxation Policy

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

The Company has received approval from HMRC as an investment trust under Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") and has since continued to comply with the eligibility conditions such that it does not suffer UK Corporation Tax on capital gains. The Manager ensures that it submits correct taxation returns annually to HMRC and settles promptly any taxation due.

Board diversity

The Board is composed solely of non-executive directors and its approach to the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The Board complies with the UK Corporate Governance Code and AIC Code in appointing appropriately diverse, independent non-executive directors who set the operational and moral standards of the Company. The Board will always appoint the best person for the job and will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

Integrity and business ethics

The Board applies a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of BMO GAM or 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, hospitality and similar matters.

The Strategic Report, contained on pages 6 to 29, has been approved by the Board of Directors.

By order of the Board
For BMO Investment Business Limited
Company Secretary
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
28 May 2020

Board of Directors

John Evans, Chairman of the Board and Nomination Committee

Appointed on 8 May 2013 and as Chairman on 9 July 2019. He has worked in the investment management industry for over 30 years. He retired from Aberforth Partners, a specialist investment management firm, in 2011 having been one of its founding partners in 1990.

Other appointments: John is a non-executive director and Chairman of Securities Trust of Scotland plc and a non-executive director of JPMorgan Mid Cap Investment Trust plc.

Julia Le Blan, Audit Committee Chairman

Appointed on 1 January 2011. She has worked in the financial services industry for over 30 years. She retired from Deloitte in 2009, where she had been a tax partner since 1990.

Other appointments: Julia is currently a non-executive director of Aberforth Smaller Companies Trust plc, JPMorgan US Smaller Companies Investment Trust plc, The Biotech Growth Trust plc and (until her retirement on 21 May 2020) Impax Environmental Markets plc.

James Williams, Senior Independent Director and Engagement and Remuneration Committee Chairman

Appointed on 17 September 2009. He has been involved with the investment management industry for over 45 years. He retired from Baring Asset Management in 2002, where he was chief investment officer and head of global investment strategy and was previously a non-executive director of JPMorgan American Investment Trust plc, Prosperity Russian Domestic Fund, Royal London Growth and Income Trust plc and of Close Brothers Group plc.

Other appointments: James is currently a non-executive director and chairman of Pacific Assets Trust plc.

Andrew Watkins

Appointed on 29 June 2017. He has worked in the financial services industry for over 40 years and was head of Client Relations for Investment Trusts at Invesco Perpetual from 2004 until his retirement in June 2017.

Other appointments: Andrew is currently a non-executive director and chairman of Ashoka India Equity Investment Trust plc and a non-executive director of Chelverton UK Dividend Trust PLC, Baillie Gifford European Growth Trust plc and Consistent Unit Trust Management Ltd.

Helen Galbraith (nee Driver)

Appointed on 6 May 2020. Helen has over 20 years' experience in the Insurance and Asset Management industry as Head of Investor Relations at Aviva plc, Head of Global Equities at Aviva Investors and managing UK equities as Investment Director at Standard Life Investments. Helen is the founder of Moneyready, an online financial education platform for young people.

Other appointments: Helen is currently a non-executive director of Orwell Housing Association and member of the Audit & Risk Committee, and a Director at Orwell Homes.

Stephen Mitchell

Appointed on 6 May 2020. He has worked in investments for 40 years, most recently as a global equity specialist, previously on Japanese and Asia-Pacific equities. He worked at Flemings then JPMorgan Asset Management and Private Bank for 24 years, subsequently at Caledonia Investment Trust running a global equity income fund and then Jupiter Asset Management. Latterly he also covered investment strategy and multi-asset allocation.

Other appointments: Stephen is currently a Trustee of National Trust for Scotland and chair of its investment committee, and a member of the investment committee at Westminster Almshouses.

All Directors are members of the Engagement and Remuneration Committee and Nomination Committee.
All Directors with the exception of John Evans (with effect from 9 July 2019) are members of the Audit Committee.

Report of the Directors

The Directors submit the Annual Report and Financial Statements of the Company for the year to 31 March 2020. The Directors' biographies, Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Engagement and Remuneration Committee, the Report of the Audit Committee and the Directors' Remuneration Report form part of this Report of the Directors.

Statement Regarding Annual Report and Financial Statements

The Directors consider that, following advice from the Audit Committee, the Annual Report and Financial Statements 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 Committee has reviewed the Annual Report and Financial Statements for the purpose of this assessment. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular. The outlook for the Company can be found on pages 8 and 13. Principal risks and uncertainties can be found on pages 22 and 23 with further information in note 21 to the financial statements.

Results and Dividends

The results for the year are set out in the Statement of Comprehensive Income of the following financial statements.

The Company has paid quarterly interim dividends in the year ended 31 March 2020 as follows:

Interim Dividend payments		
	Payment date	Rate per share
Fourth interim for 2019	3 May 2019	1.29p
First interim for 2020	2 August 2019	1.29p
Second interim for 2020	1 November 2019	1.29p
Third interim for 2020	7 February 2020	1.29p

Dividend payments in the prior year ended 31 March 2019 are set out in note 9 to the financial statements.

A fourth quarter interim dividend of 1.34p per Ordinary share was paid on 1 May 2020 to Ordinary shareholders on the register at close of business on 3 April 2020. This dividend, together with the first three interim dividends paid during the year (of 1.29p per Ordinary share each), makes a total dividend (for the current financial year to 31 March 2020) of 5.21p per Ordinary share. This represents an increase of 3.4% over the 5.04p per Ordinary share paid in respect of the previous financial year.

As set out in the Company's dividend/capital repayment policy on page 28, payments are made quarterly and the Company does not currently pay a final dividend that would require formal shareholder approval of the AGM. As an alternative, the Board proposes to seek formal shareholder approval at the AGM, and in future years, to continue quarterly payments (**Resolution 10**).

Principal Activity and Status

The Company is registered as a Public Limited Company in terms of the Companies Act 2006 (number: SC314671) and is an investment company under section 833 of the Companies Act 2006.

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs ('**HMRC**'), subject to it continuing to meet the relevant eligibility conditions and ongoing requirements. As a result, it is not liable to corporation tax on capital gains. The Company intends to conduct its affairs so as to enable it to comply with the requirements.

The Company is required to comply with company law, the rules of the UK Listing Authority, International Financial Reporting Standards and its Articles of Association.

The Company is a member of the Association of Investment Companies (the '**AIC**').

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited (number: SC140578), a company which deals in investments. In the year to 31 March 2020, Investors Securities Company Limited made a profit before taxation of £nil (2019: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2020 and it has not been consolidated in the financial statements in accordance with section 405 of the Companies Act 2006 on grounds of materiality.

Accounting and Going Concern

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

The financial statements start on page 59 and the unqualified Independent Auditor's Report on the financial statements is on pages 51 to 58. The significant accounting policies of the Company are set out in note 1 to the financial statements.

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern. As part of that review the Board has considered the impact of COVID-19 and ongoing uncertainties relating to the UK's continuing trade negotiations with the EU following its departure on 31 January 2020 and does not consider that any related outcome would affect the Company's ability to continue as a going concern.

The Company's investment objective and policy, which is described on pages 9 and 28 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is held only with banks approved and regularly reviewed by the Manager.

As part of the going concern review, the Directors noted that borrowing facilities of a £7.5 million fixed term loan and a £7.5 million revolving credit facility are committed to the Company until 28 September 2022. Further details are set out in note 16 to the financial statements.

Note 21 to the financial statements sets out the financial risk profile of the Company and indicates the effect on the assets and liabilities of falls (and rises) in the value of securities and market rates of interest.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company's longer term viability is considered in the 'Viability assessment and statement' on page 24.

The Company does not have a fixed life. However, in the event that the net asset value total return performance of the Company is less than that of the FTSE All-Share Index over the relevant five year period, in accordance with the Company's articles of association, shareholders will be given the opportunity to vote on whether the Company should continue, by ordinary resolution at the Company's Annual General Meeting. The current five year period for this purpose runs from 1 April 2017 to 31 March 2022.

Statement of Disclosure of Information to Auditor

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Re-appointment of Auditor

Deloitte LLP has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the Annual General Meeting (**Resolution 9**).

Further information in relation to the re-appointment can be found on page 46.

Capital Structure and Voting Rights

The Company's capital structure is explained in the 'Capital Structure' section on page 85 of this Annual Report and details of the share capital, including voting rights, are set out in note 17 to the financial statements. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 March 2020, the total listed share capital of the Company was represented 76.1 per cent by Ordinary shares and 23.9 per cent by B shares.

There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities. There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

Substantial Interests in Share Capital

At 31 March 2020 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure Guidance and Transparency Rules):

	Ordinary Shares	
	Number held	Percentage held*
1607 Capital Partners, LLC	8,612,500	10.0
D. C. Thomson & Company Limited	7,944,869	9.2
Jupiter Asset Management Limited	5,502,500	6.4
Thomson Leng Provident Fund	3,800,000	4.4

	B Shares	
	Number held	Percentage held*
D. C. Thomson & Company Limited	2,241,623	7.3

* Based on 85,922,653 Ordinary Shares and 30,858,750 B Shares in issue as at 31 March 2020.

The Company has not received any other notification of any changes in these voting rights and no new holdings have been notified since 31 March 2020 up to the date of this report.

BMO Savings Plans

Approximately 37% of the Company's share capital is held through the BMO savings plans. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the BMO Savings Plans. Instead the nominee company holding these shares votes in line with any voting directions received from the underlying planholders. Where no instruction is received from any underlying planholder, the voting rights attached to their shares will not be exercised.

Borrowings

The Company has drawn down a £7.5 million unsecured term loan from Scotiabank Europe plc with a term to 28 September 2022 at a fixed interest rate of 2.58% per annum. The Company also has a £7.5 million unsecured multicurrency revolving credit facility with Scotiabank (Ireland) Designated Activity Company which was not drawn down at the year-end.

Directors' Remuneration report

The Directors' Remuneration Report, which can be found on pages 47 to 49, provides detailed information on the remuneration arrangements for the Directors of the Company including the Directors' Remuneration Policy. Shareholders will be asked to approve both the Annual Report on Directors' Remuneration (**Resolution 3**) and the Directors' Remuneration Policy (**Resolution 2**) at the AGM on 27 July 2020. There have been no material changes to the policy since approved by shareholders at the AGM held on 29 June 2017. 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. It is intended that this policy will continue for the three year period ending at the AGM in 2023.

Director elections and re-elections

Biographical details of the Directors, all of whom are non-executive, can be found on page 30 and are incorporated into this report by reference.

With the exception of Mrs H M Galbraith (nee Driver) and Mr S J Mitchell, who were both appointed following the year-end on 6 May 2020 and Mr I A McLaren, who retired as a Director on 9 July 2019 all of the Directors held office throughout the year under review. As explained in more detail under the Corporate Governance Statement on pages 38 to 40, the Board has agreed that all Directors will retire annually. Mr J P Williams is not standing for re-election and will therefore retire at the conclusion of the forthcoming Annual General Meeting. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below.

- **Resolution 4** relates to the election of Mrs H M Galbraith who was appointed on 6 May 2020 and has over 20 years' experience in the Insurance and Asset Management industry. She also has accounting experience and is a Chartered Financial Analyst.
- **Resolution 5** relates to the election of Mr S J Mitchell who was appointed on 6 May 2020 and has worked in investments for over 40 years most recently as a global equity specialist.
- **Resolution 6** relates to the re-election of Mrs J Le Blan who was appointed on 1 January 2011 and has therefore served for more than nine years. She has a strong accounting and financial background and was a tax partner at Deloitte until her retirement in 2009.
- **Resolution 7** relates to the re-election of Mr J M Evans who was appointed on 8 May 2013 and has in-depth knowledge, expertise and experience in investment management.
- **Resolution 8** relates to the re-election of Mr A K Watkins who was appointed on 29 June 2017 and has extensive experience and knowledge of investment trusts and the sector having been Head of Client Relations for Investment Trusts at Invesco Perpetual until his retirement in 2017.

The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board believes that a Director's tenure does not necessarily reduce his or her contribution or ability to act independently and, following formal performance evaluations, the Board believes that each Director is independent in character and judgement, that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board. Additional information on diversity and tenure is set out on pages 29 and 41.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Chairman and the Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role and having considered the Directors' other time commitments and Board positions are satisfied that each Director has the capacity to be fully engaged with the Company's business. The Chairman and the Board therefore believes that it is in the interests of shareholders that those Directors seeking election/re-election are elected/re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with, and accepted, the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office during normal business hours.

No Director has any material interest in any contract to which the Company is a party.

Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by each of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting. The Company also maintains directors' and officers' liability insurance.

Conflicts of Interest

Under the Companies Act 2006 a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Safe custody of assets

The Company's listed investments are held in safe custody by JPMorgan 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 investment management agreement. The Custodian is paid a variable fee dependent on the number of trades and location of the securities held.

Depositary

JPMorgan Europe Limited (the '**Depositary**') acts as the Company's depositary in accordance with the AIFM Directive. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include cash monitoring, ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the custodian and monitoring the Company's compliance with investment limits and leverage 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.

Management and Management Fees

Details of the contract between the Company and BMO Investment Business Limited in respect of management services provided are given in the notes to the financial statements. BMO Investment Business Limited is the Company's AIFM, for which it does not receive any additional remuneration.

Since the end of the year, the Engagement and Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include company secretarial and accounting services. Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders as a whole.

The investment management fee is 0.65 per cent. per annum on the net asset value of the Company.

Other Companies Act 2006 Disclosures

- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third annual general meeting after the annual general meeting at which last elected. As mentioned earlier in this Report, the Board has agreed that all Directors will retire annually.

- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.

- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chairman's Statement on page 8 and the Manager's Report on page 13.

Environmental, Social and Governance

Details of the Company's Environmental, Social and Governance policies including voting on portfolio investments is set out on pages 26 to 27.

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Company.

Modern Slavery Act 2015

As an investment company with no employees or customers and which does not provide goods or services in the normal course of business, the Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a human trafficking statement. The Company's own supply chain which consists predominantly of professional advisers and service providers in the financial services industry, is considered to be low risk in relation to this matter. A statement by BMO Financial Group under the Act has been published on the Manager's website at www.bmogam.com

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 21 to the financial statements.

Annual General Meeting

The Company is required by law to hold an Annual General Meeting and it will be held at Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG on Monday 27 July 2020 at 12 noon. The Notice of Annual General Meeting is set out on pages 80 to 84.

Following the "Stay at Home" guidance received from the Government, the current restrictions on travel and public gatherings of more than two persons and the recommend practice of self-isolation, the Board has been carefully considering the arrangements for the upcoming Annual General Meeting of the Company (the "**AGM**") in conjunction with the health, wellbeing and safety of shareholders and other attendees. It is not expecting shareholders to attend the AGM. The Company may in accordance with its Articles of Association and following such Government guidance impose entry restrictions on persons wishing to attend the AGM. All shareholders are strongly encouraged to exercise their votes in respect of the AGM in advance to ensure that their votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from its shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance. The answers to these questions will be posted on our website after the AGM. Shareholders should submit any questions they may have to UKHITCoSec@bmogam.com before 23 July 2020.

Resolutions 11 to 15 are explained below.

Directors' Authority to Allot Shares (Resolutions 11 and 12)

The Directors are seeking authority to allot Ordinary shares and B shares.

Resolution 11 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,296 consisting of 4,296,000 Ordinary shares and new B shares up to an aggregate nominal amount of £1,542 consisting of 1,542,000 B shares, being approximately 5 per cent of the total issued Ordinary shares and B shares (excluding treasury shares) as at 28 May 2020. This authority therefore authorises the Directors to allot up to 5,838,000 shares in aggregate representing approximately 5 per cent of the total share capital in issue (excluding treasury shares).

Resolution 12 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,296 and new B shares up to an aggregate nominal amount of £1,542, being 4.2 per cent and 4.8 per cent of the total issued Ordinary shares and B shares respectively (including treasury shares) as at 28 May 2020, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 5,838,000 shares in aggregate for cash on a non pre-emptive basis representing 4.4 per cent of the total share capital in issue (including treasury shares). These authorities will continue until the earlier of 30 September 2021 and the conclusion of the Company's next Annual General Meeting.

The Directors have no current intention to exercise these authorities and will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in Resolutions 11 and 12 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Directors' Authority to Buy Back Shares (Resolution 13)

At the Annual General Meeting held on 9 July 2019 shareholders gave the Company authority to make market puchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury). During the year to 31 March 2020 the Company purchased through the market for treasury 405,491 Ordinary shares of 0.1p each, representing 0.5 per cent of the Ordinary shares in issue at the previous year end, for a total consideration of £379,000 and 117,953 B shares of 0.1p each, representing 0.4 per cent of the B shares in issue at the previous year end, for a total consideration of £107,000 in accordance with the Company's discount management policy.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and **Resolution 13**, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued Ordinary shares and issued B shares of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than the higher of (a) 5 per cent above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will be purchased with cash and will either be held in treasury or cancelled. This authority will expire on the earlier of 30 September 2021 and the conclusion of the next Annual General Meeting of the Company.

There were 116,781,403 Ordinary shares and B shares in issue (excluding treasury shares) as at 28 May 2020; of which 73.6 per cent represents Ordinary shares and 26.4 per cent represents B shares. At that date, the Company held 15.8 per cent of the total Ordinary share capital in treasury and 3.8 per cent of the total B share capital in treasury.

The Company therefore in aggregate holds 17,362,444 shares in treasury representing 14.9 per cent of the total share capital in issue (excluding treasury shares).

Treasury Shares (Resolution 14)

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities.

Resolution 14, if passed, will enable the Company to sell shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to shares representing approximately 8.4 per cent and 9.6 per cent of the Company's issued Ordinary share capital and B share capital respectively (including treasury shares) as at the date of passing of the resolution. The sale of shares from treasury is to be at a price not less than the net asset value per share of the Ordinary shares (in the case of a sale of Ordinary shares) or B shares (in the case of a sale of B shares).

Amendments to the Articles of Association (Resolution 15)

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval to adopt revised Articles of Association (the '**New Articles**') in order to update the Company's current Articles of Association (the '**Existing Articles**'). The changes introduced in the New Articles are primarily to reflect changes in law and regulation, and developments in market practice and include enabling the Company to hold virtual annual general meetings in the future, changes in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU) ("**AIFMD**"), changes in response to the introduction of international tax regimes requiring the exchange of information and to increase the cap on Directors' fees to £175,000 per annum.

We have summarised in the appendix to the AGM Notice (pages 80 to 84 of this document), those changes introduced in the New Articles which we consider will be of most interest to shareholders. Other changes, which are of a minor, technical or clarifying nature, have not been noted in the appendix.

It should be noted that, while the New Articles will allow for meetings to be held and conducted in such a way that persons who are not present together at the same physical location may attend, speak and vote at the meeting by electronic means, the Directors have no present intention of holding a wholly electronic meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a virtual or hybrid meeting to be held. Nothing in the New Articles will prevent the Company from holding physical general meetings.

The New Articles, showing all the changes to the Existing Articles, are available for inspection on the Company's website, www.bmoukhighincome.com and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm from the date of the AGM Notice until the close of the AGM and will also be available for inspection from 15 minutes before and at the AGM.

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General 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 shareholders as a whole. Accordingly, they unanimously recommend that all shareholders vote in favour of those resolutions in advance of the Annual General Meeting. The Directors intend to vote in favour of each of the resolutions in respect of their own beneficial holdings of 53,158 Ordinary shares and 55,000 B shares, representing approximately 0.1 per cent. of the issued share capital of the Company as at the date of this document. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting.

Individual Savings Accounts

The Company's shares are qualifying investments for Individual Savings Accounts. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By order of the Board
For BMO Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
28 May 2020

Corporate Governance Statement

The biographical details of the Directors responsible for the governance of your Company are set out on page 30. Committee membership is also included and the respective terms of reference and biographies are also available on the Company's website bmoukhighincome.com.

As a Board, we believe that good governance creates value and expect the companies in which we invest to apply high standards. In maintaining the confidence and trust of our own investors, we set out to adhere to the very highest standards of corporate governance, business and ethics transparency. We remain committed to doing so.

Governance overview

The Board has established an Audit Committee, Engagement and Remuneration Committee and Nomination Committee. The role and responsibilities of these committees are set out in their respective reports, which follow, and their terms of reference are also available on the Company's website. With the exception of the Audit Committee (where Mr J M Evans ceased to be a member with effect from 9 July 2019), each of the committees comprises all of the directors.

As set out in the Strategic Report the Board has appointed the Manager to manage the investment portfolio as well as to carry out the day to day management and administrative functions. Reporting from the Manager is set out on pages 11 to 18 and in the Report of the Audit Committee in respect of internal controls on page 44. The Board's evaluation of the Manager can be found on page 42.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with.

Compliance with the UK Code

We have considered and support the principles and recommendations of the UK Code published in 2018, which can be found at www.frc.org.uk. We believe that we have applied the principles and complied with its provisions during the period under review and up to the date of this report except as set out below. The UK Code includes provisions relating to:

- the role of the Chief Executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- workforce engagement

We consider these provisions as not being relevant to the position of the Company, being an externally managed investment company with a Board that has no executive Directors, is composed solely of non-executives and has no employees.

Therefore, with the exception of the need for an internal audit function, which is addressed on page 44, we have not reported further in respect of these provisions.

We are also adhering to the principles and recommendations of the AIC Code of Corporate Governance (the "**AIC Code**") published in 2019, which can be found on www.theaic.co.uk. The AIC Code includes a significant departure from that of the UK Code, namely the removal of the nine-year limit on chair tenure. Mr I A McLaren, the previous chairman had served over nine years in total since appointment to the Board in March 2009 and he retired from the Board following the AGM on 9 July 2019.

The tenure policy relating to the Directors, including the Chairmanship, is set out on page 41.

Board leadership and Company purpose

The Board consists solely of non-executive Directors and Mr J M Evans is the Chairman.

The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which are reviewed periodically.

A management agreement between the Company and its Manager, BMO Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager.

The Company's purpose and the basis on which the Company aims to generate value over the longer term is set out within the Purpose, Strategy and Business Model as contained on pages 9 to 10.

Division of Board responsibilities

As an externally managed investment company, there are no executive Directors or employees; all the Directors are non-executive. Following Mr I A McLaren's retirement after the AGM on 9 July 2019, Mr J M Evans was appointed as the Chairman and is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. Mr J P Williams is the Senior Independent Director and acts as an experienced sounding board for the Chairman or as an intermediary for shareholders. He also leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors, may at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was taken during the year under review. The Company maintains appropriate Directors' and Officers' liability insurance. Full details of the duties of Directors are provided at the time of appointment. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Company Secretary and other parties, including the AIC.

All Directors are considered by the Board to be independent of the Company's Manager.

Directors' attendance during the year ended 31 March 2020

	Board of Directors	Audit Committee	Engagement and Remuneration Committee	Nomination Committee
No. of meetings	5	2	1	5
J M Evans(1)	5	1	1	5
I A McLaren(2)	1	n/a	1	1
J Le Blan	5	2	1	5
A K Watkins	5	2	1	5
J P Williams	5	2	1	5

(1) Ceased to being a member of the Audit Committee on 9 July 2019
(2) Retired on 9 July 2019

All Directors attended the Annual General Meeting in July 2019.

Composition and succession

The composition of the Board and Committees together with the experience of the members is set out on page 30. The Company's diversity policy is set out on page 29.

Under the requirements of the Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

Two of the current non-executive Directors (Mr J P Williams and Mrs J Le Blan) have now served on the board for more than nine years and during the year the Nomination Committee undertook a recruitment process to allow a refreshment of the Board. The Report of the Nomination Committee on page 41 sets out the process carried out in respect of the recent appointments of Mrs H M Galbraith and Mr S J Mitchell as non-executive Directors of the Company. This recruitment allows for the retirement of the longer serving Directors while balancing the need to ensure an adequate level of continuity and experience on the Board.

Board evaluation and effectiveness

During the year the performance of the Board and Committees, including the performance of each individual Director, was evaluated through a formal assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director. This process involved discussions with individual Directors, individual feedback from the Chairman to each of the Directors and discussion of the points arising amongst the Directors.

Following this process, it was concluded that the performance of each Director and the Chairman continues to be effective and each remain committed to the Company and that the Board oversees the management of the Company effectively and has the skills and expertise to safeguard shareholders' interests.

The conclusion from the assessment process was also that the Audit Committee, Nomination Committee and Engagement and Remuneration Committees were operating effectively, with the right balance of membership, experience and skills.

Audit, risk and internal control

The Board has established an Audit Committee the report of which is set out on pages 43 to 46. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed; and how the Board satisfies itself on the integrity of financial statements. The report also covers the process under which the Board satisfied itself that the Annual Report and financial statements presents a fair balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Details of the principal risks and uncertainties are set out on pages 22 to 23 and further information on the Company's risk management and internal control framework can be found on pages 43 and 44.

Relations with shareholders and stakeholders

Communication with the Company's key stakeholders, who are its shareholders is set out on page 10.

Remuneration

Information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on pages 47 to 49 and in note 6 to the financial statements.

The remuneration policy is explained on page 47 and that, as non-executive directors, their fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. While there are no executive directors and no employees, shareholders should expect that the fees paid to the Manager are aligned with the Company's purpose, values and the successful delivery of its long-term strategy.

Share Capital and Companies Act 2006 Disclosures

Details of the Company's capital structure is set out on page 85 and details of substantial interests in the Company's share capital and other Companies Act 2006 Disclosures are included on pages 33 and 35.

By order of the Board
For BMO Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
28 May 2020

Report of the Nomination Committee

Composition of the Committee

The committee comprises the full Board and is chaired by Mr J M Evans and its terms of reference can be found on the website at bmoukhighincome.com

Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition and it takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity including gender, independence and knowledge of the Company within the Board and ensuring succession planning is carefully managed.

The Committee met on 5 occasions during the year and specifically considered and reviewed the following matters:

- The size of the Board and its composition, particularly in terms of succession planning and the experience and skills of individual directors and diversity of the Board as a whole;
- Tenure;
- The criteria for future Board appointments and the methods of recruitment, selection and appointment; and
- The selection of a new Chairman due to the retirement of Mr I A McLaren.

Diversity and tenure

The Company's Board diversity policy is shown on page 29 and recruitment searches are open to a diverse range of candidates. The Directors have not set any measurable objectives in relation to diversity of the Board. The Board believes that a Director's tenure does not necessarily reduce his or her contribution or ability to act independently and that continuity and experience can add significantly to the strength of investment trust boards. However the Board is committed to maintaining the highest levels of corporate governance in terms of independence and would normally expect the Directors to serve for a nine-year term, however this may be adjusted for reasons of flexibility and continuity.

Appointments and Succession planning

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

As was previously reported, two of the current non-executive directors have now served on the board for more than nine years and a search for new directors had begun. An external search agency Nurole (which has no connection to the Company or the directors), was engaged to assist with this process. The Committee defined the criteria that was required and the selection process took into consideration the applications through the Nurole platform and interviews with the short listed candidates.

Following the recruitment process it was agreed to appoint both Mrs H M Galbraith (nee Driver) and Mr S J Mitchell to the Board with effect from 6 May 2020.

It has been agreed that Mr J P Williams will retire following the conclusion of the forthcoming Annual General Meeting to be held on 27 July 2020 and it is anticipated that Mrs J Le Blan will retire during 2021. It is anticipated Mrs H M Galbraith will become the Chair of the Audit Committee when Mrs J Le Blan retires and this appointment therefore provides for a period of overlap regarding this role.

Committee evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 39. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

John M Evans
Chairman of the Nomination Committee
28 May 2020

Report of the Engagement and Remuneration Committee

Composition of the Committee

The Committee comprises the full Board and is chaired by Mr J P Williams and its terms of reference can be found on the website at bmoukhighincome.com

Role of the Committee

The Committee meets at least annually and its role is to review the terms and conditions of the Manager's appointment and the services it and other key suppliers provide and also to review the remuneration of Directors.

The Committee met on one occasion during the year.

Manager evaluation process and re-appointment

Since the end of the year, the Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the skills, experience and depth of the Manager's team involved in managing the Company's assets and its ability to produce satisfactory investment performance in the future.

Investment performance is also considered by the Board at every meeting and it receives reports from the Manager on investment activity, attribution, gearing, risk and performance. While shorter term data is important, the assessment of the Manager's performance is considered over a five year period, looking at comparisons against the benchmark and a peer group of other UK Equity Income investment companies. The period of five years matches the period between shareholder continuation votes, in the event that the NAV total return performance of the Company is less than that of the FTSE All-Share Index over the relevant five year period. This allows the Board to assess the management of the investment portfolio against the Company's investment objective on an ongoing basis together with performance against the Company's key performance indicators.

The Committee also considered the length of the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include ESG, marketing, company secretarial and accounting services.

Following this review, it was the Committee's view that the continuing appointment of the Manager on the terms agreed was in the best interests of shareholders as a whole. The Board ratified this recommendation.

Review of directors' fees

The Company Secretary, BMO Investment Business Limited, provides information on comparative levels of Directors' fees in advance of the Committee considering the level of Directors' fees. Following a review for the forthcoming year the Committee concluded the amount paid to Directors should remain unchanged.

Committee evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 39. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

James P Williams
Chairman of the Engagement and Remuneration Committee
28 May 2020

Report of the Audit Committee

Composition of the Committee

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector in which the Company operates and at least one member with recent and relevant experience.

The Audit Committee is chaired by Mrs J Le Blan who is a chartered accountant and has recent and relevant financial experience. It operates within clearly defined terms of reference and comprises the full Board, with the exception of Mr J M Evans who ceased to be a member of this Committee with effect from 9 July 2019 on his appointment as Chairman of the Board. These directors have a combination of relevant financial, investment and business experience and specifically with respect to the investment trust sector and accordingly have sufficient experience to discharge their responsibilities. Details of the members can be found on page 30 and the committee's terms of reference are available on the Company's website bmoukhighincome.com. The performance of the Committee was evaluated as part of the Board appraisal process.

Role of the Committee

The duties of the Audit Committee include reviewing the Annual and Interim financial statements, the system of internal controls, and the terms of appointment and remuneration of the Auditor, Deloitte LLP ('**Deloitte**'), including its independence and objectivity. It also provides a forum through which the Auditor reports to the Board of Directors and meets twice yearly including at least one meeting with Deloitte.

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 39. In the due course of its duties, the committee had direct access to Deloitte and senior members of BMO GAM's Fund Management, Investment Trust and Business Risk teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcement and annual and half-yearly reports and financial statements including advice to the Board as to whether the annual report and financial statements as a whole are fair, balanced and understandable;

- The accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;

- The principal risks and uncertainties 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 statement on viability;

- The effectiveness of the external audit process and the independence and objectivity of Deloitte as auditor, it's re-appointment, remuneration and terms of engagement;

- The policy on the engagement of Deloitte to supply non-audit services and approval of any such services;

- The implications of proposed new accounting standards and regulatory changes;

- The need for the Company to have its own internal audit function; and

- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian and the Company's registrar.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant financial information as is noted in the Statement of Directors' Responsibilities on page 50.

Risk Management

The Board has established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the related guidance issued by the Financial Reporting Council.

BMO GAM's Business Risk department provide regular control report updates to the Audit Committee and the Board covering risk and compliance and any significant issues identified by internal audit that might be relevant to the Company.

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

The Company's principal risks and uncertainties and their mitigations are set out on pages 22 and 23 with additional information provided in note 21 to the financial statements. The integration of these risks into the consideration of the Viability Statement on page 24 was also fully considered and the Audit Committee concluded that the Board's Statement was soundly based. The period of five years was also agreed as remaining appropriate for the reasons given in the statement.

Internal Controls

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring that risk management and control processes are embedded in the daily operations, which are managed by BMO GAM.

The Audit 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, including financial, operational, compliance and overall risk management is exercised by the Audit Committee and the Board through regular reports provided by BMO GAM. The reports cover investment performance, compliance with agreed and regulatory investment restrictions, financial analyses, revenue estimates, performance of the third party administrators of the BMO savings plans and other relevant issues.

The system of internal controls are designed to manage, rather than eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement, loss, or fraud. Further to the review by the Audit Committee, the Board has assessed the effectiveness of the Company's internal control systems.

The assessment included a review of the BMO GAM risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/06 for the year to 31 October 2019 (the '**ISAE/AAF Report**') that has been prepared for their clients. The Audit Committee also received confirmation from BMO GAM that subsequent to this date, there had been no material changes to the control environment. The ISAE/AAF Report contained an unqualified opinion from independent reporting accountants KPMG LLP, and sets out BMO GAM's control environment and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Committee and Board Meeting by BMO GAM, including those relating to the administration of the BMO savings plans and related complaint levels. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were identified in the year under review nor to the date of this report.

The Audit Committee also reviewed appropriate reports on the internal controls of other significant service providers, such as the Custodian and Registrar and was satisfied that there were no material exceptions.

The review procedures have been in place throughout the full financial year and up to the date of approval of the financial statements, and the Board is satisfied with their effectiveness.

Through the reviews and reporting arrangements set out above and by direct enquiry of BMO GAM and other relevant parties, the Commitee 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, the Audit Committee has concluded that the systems and procedures employed by BMO GAM, including its internal audit, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

Significant Matters Considered by the Audit Committee in Relation to the Financial Statements	
Matter	Action
Valuation of Investment Portfolio	
Possibility of incorrect valuation of the investment portfolio, including failure to assess stock liquidity appropriately.	The Company's accounting policy is stated in note 1 to the financial statements. The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2019, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity securities. BMO GAM has provided further assurance that controls have operated satisfactorily since that date.
Misappropriation of Assets	
Misappropriation or non-existance of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as referred to overleaf, which is reported on by independent external accountants and which details the controls around the reconciliation of the Manager's records to those of the custodian. The Audit Committee also reviewed the custodian's semi-annual internal control report, which is reported on by independent external accountants, and which provides details regarding its control environment. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 March 2020.
Income Recognition	
Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as previously referred to, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of all special dividends received with the Manager.
Investment Trust Tax Status	
As an investment trust company, the Company is exempt from taxation arising on capital gains. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.	The Audit Committee reviewed the Company's ongoing compliance with the investment trust conditions set out in section 1158 of the Corporation Tax Act 2010. In particular, the Audit Committee ensured that the retained revenue after tax for the year was less than 15 per cent of the Company's total income.

The Audit Committee read and discussed this Annual Report and Financial Statements and concluded that it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance objective and strategy.

External audit process and significant matters considered by the Audit Committee

In carrying out its responsibilities, the Audit Committee has considered the planning arrangements, scope, materiality levels and conclusions of the year end 31 March 2020 external audit.

The Audit Committee met in May 2020 to discuss the draft Annual Report and financial statements, with representatives of Deloitte and BMO GAM in attendance and Deloitte presented their year-end report to the Audit Committee. At the conclusion of the audit Deloitte did not report any audit differences in excess of their reporting threshold of £0.05 million, nor any differences below that level which would warrant disclosure on qualitative grounds. In addition Deloitte did not highlight any other issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Deloitte issued an unqualified audit report which is included on pages 51 to 58. The significant issues considered by the Audit Committee, are discussed in the preceding table.

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 auditor is 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 auditor.

In particular, the Committee has a policy, that the accumulated costs of all non-audit services sought from the auditor in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% of the average audit fee for the previous three years.

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees, Deloitte received fees, excluding VAT, for non-audit services of £nil for the year (2019: £nil).

Auditor assessment, independence and re-appointment

The Audit Committee reviews the re-appointment of the auditor every year and has been satisfied with the effectiveness of Deloitte's performance on the audit just completed. As part of the review of auditor independence and effectiveness, Deloitte has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Deloitte, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that Deloitte continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. Andrew Partridge, the current senior statutory auditor was engaged for the first time during the year ended 31 March 2018. The Audit Committee also considered the evaluation of Deloitte's audit performance through the Audit Quality Review performed by the Financial Reporting Council. Deloitte's fee for the audit (excluding VAT) was £26,000 (2019: £22,000). On the basis of this assessment, the Audit Committee has recommended the re-appointment of Deloitte to the Board.

Julia Le Blan
Chairman of the Audit Committee
28 May 2020

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 March 2020, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 51 to 58.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Engagement and Remuneration Committee is responsible for determining the level of Directors' fees and its report is set out on page 42.

Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should be 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. The policy aims to be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. 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 Company has not received any direct communications from its Shareholders in respect of the levels of Directors' remuneration. This policy will be put to shareholders for approval at the forthcoming AGM (**Resolution 2**) and it is intended that the policy will continue for the three year period ending at the AGM in 2023.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £150,000 per annum in aggregate and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office during business hours.

The dates on which each Director was appointed to the Board are set out under their biographies on page 30. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that. However, in accordance with the recommendations of the UK Code and the AIC Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. With the exception of Mrs H M Galbraith and Mr S J Mitchell, all the directors were last re-elected at the AGM held on 9 July 2019 and with the exception of Mr J P Williams will stand for re-election at the AGM on 27 July 2020. Mrs H M Galbraith and Mr S J Mitchell will stand for election. There is no notice period and no provision for compensation upon termination of appointment.

Voting at Annual General Meeting on Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 29 June 2017. 97.6 per cent of votes were in favour of the resolution and 2.4 per cent of votes were against. As part of the business to be proposed at the Annual General Meeting it is proposed that the limit on Directors' fees in the Articles of Association be increased from £150,000 to £175,000 (**Resolution 15**).

Annual Statement

As Chairman of the Engagement and Remuneration Committee, I confirm that effective 1 April 2019 Directors fees increased by £500 per annum for the Chairman and by £1,000 per annum for the Audit Committee Chairman and by £500 per annum for each of the other Directors.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year, in comparison to comparable investment trusts, the Engagement and Remuneration Committee concluded that effective 1 April 2020 the amount paid to Directors should remain unchanged.

Based on this, Directors' fees for the forthcoming financial year would be as follows:

	31 March 2021 £	31 March 2020* £
Chairman	34,500	34,500
Audit Committee Chairman	28,000	28,000
Director	23,500	23,500

* Actual Directors' fees for the year ended 31 March 2020

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 March 2020 and 2019 and can expect to receive the fees indicated for 2021 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)

	Fees (audited)		Taxable Benefits[1] (audited)		Total (audited)		Anticipated Fees[2]
Director	31 March 2020 £	31 March 2019 £	31 March 2020 £	31 March 2019 £	31 March 2020 £	31 March 2019 £	31 March 2021 £
J M Evans (Chairman)	31,550	23,000	3,924	2,218	35,474	25,218	34,500
H M Galbraith[4]	n/a	n/a	n/a	n/a	n/a	n/a	21,240
J Le Blan	28,000	27,000	–	–	28,000	27,000	28,000
I A McLaren[3]	9,476	34,000	1,923	4,608	11,399	38,608	n/a
S J Mitchell[4]	n/a	n/a	n/a	n/a	n/a	n/a	21,240
A K Watkins	23,500	23,000	–	–	23,500	23,000	23,500
J P Williams	23,500	23,000	1,099	638	24,599	23,638	6,322
Total	116,026	130,000	6,946	7,464	122,972	137,464	134,802

[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 year ended 31 March 2021. Taxable benefits are also anticipated but are not currently quantifiable. (The anticipated fees reflect that J P Williams will retire following the AGM)

[3] I A McLaren was the chairman until he retired following the AGM on 9 July 2019

[4] Appointed on 6 May 2020.

Relative Importance of Spend on Pay

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

	31 March 2020 £	31 March 2019 £	Change %
Aggregate Directors' Remuneration[1]	116,026	130,000	-10.7
Management fee and other expenses	1,223,000	1,262,000	-3.1
Distributions paid to Shareholders	6,047,000	5,895,000	+2.6
Aggregate cost of shares repurchased	486,000	547,000	-11.2

[1] As shown above, following the retirement of I A McLaren, the Board was reduced to four directors for the remainder of the financial year to 31 March 2020

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 March 2020 (all of which were beneficially held) were as follows:

	31 March 2020		1 April 2019	
Director	Ordinary Shares	B Shares	Ordinary Shares	B Shares
J M Evans (Chairman)	15,000	5,000	15,000	5,000
J Le Blan	6,000	–	6,000	–
A K Watkins	10,000	–	10,000	–
J P Williams	15,000	50,000	15,000	50,000

There have been no changes in any of the other Directors' interests in the shares of the Company between 31 March 2020 and 28 May 2020.

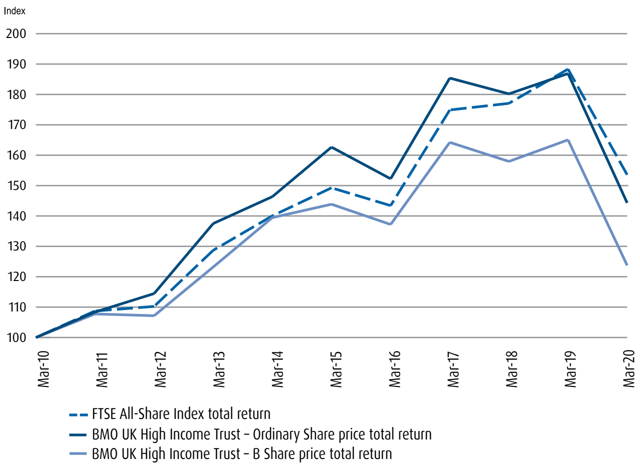
Company Performance

The Board is responsible for the Company's investment strategy and performance, whilst the management of the investment portfolio is delegated to the Manager.

An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

The graph below compares, for the required ten year period to 31 March 2020, the total return (assuming all dividends and capital repayments are reinvested) to Ordinary shareholders and B shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that up to 25 per cent. of the Company's assets were held in higher yielding securities during part of this period.

Share Price Total Return and the FTSE All-Share Index Total Return Performance Graph (rebased to 100 at 31 March 2010)



Source: Refinitiv Eikon

Voting at Annual General Meeting on Annual Remuneration Report

At the Company's last Annual General Meeting, held on 9 July 2019, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2019. 97.6 per cent of votes were in favour of the resolution and 2.4 per cent were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting (**Resolution 3**).

On behalf of the Board
James P Williams
Director
28 May 2020

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The Directors are also required to prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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 Annual Report and Financial Statements is published on the www.bmoukhighincome.com website which is maintained by BMO GAM. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the Company's website and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statements under the Disclosure Guidance and Transparency Rules in respect of the Annual Report and Financial Statements

Each of the Directors listed on page 30 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Strategic Report and the Report of the Directors include 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
- taken as a whole, the annual report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Company.

On behalf of the Board
John M Evans
Chairman
28 May 2020

Independent Auditor's Report

to the members of the BMO UK High Income Trust PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of BMO UK High Income Trust plc (the 'company'):

- **give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Cash Flow Statement;
- the Statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. 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 are 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 Financial Reporting Council's ('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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was valuation and ownership of quoted investments.
Materiality	The materiality that we used in the current year was £0.90m which was determined on the basis of 1% of net assets at 31 March 2020.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	The completeness of dividend income is no longer deemed to be a key audit matter for the year ended 31 March 2020. Income from quoted securities comprises of a high volume of relatively low value transactions, with a low level of judgement, and we have not identified any errors related to revenue in prior years. Further, there have been no other significant changes in our audit approach for the current year.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 22 and 23 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 24 that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 24 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the company to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. 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. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation and Ownership of quoted investments

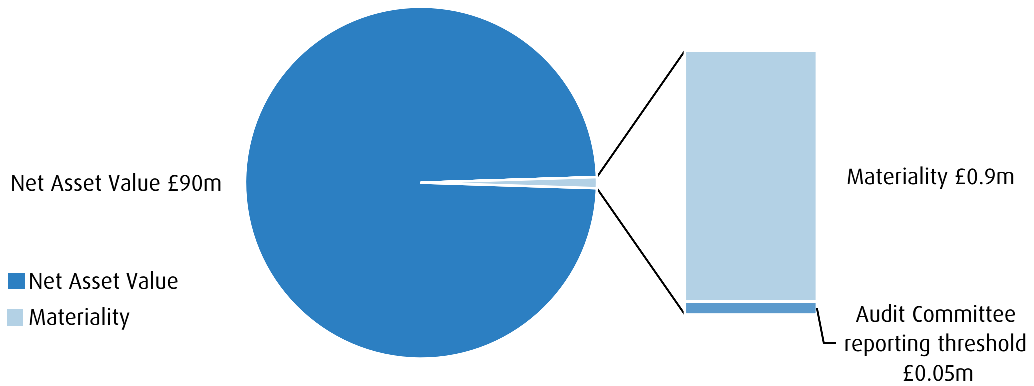
Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
The quoted investments of the company of £92.3m (2019: £125.0m) make up 103.1% of total net assets of £89.5m (2019: £120.1m) as at 31 March 2020. Please see accounting policy 1 (investments) in note 1 and note 11. Quoted investments are valued at the closing bid price at the year end. There is a risk that the quoted investments may not be valued correctly or may not represent the property of the company. The description of the key audit matter above should be read in conjunction with the significant matters considered by the audit committee in Relation to the Financial Statements discussed on page 45.	We have performed the following procedures to test the valuation and ownership of investments at 31 March 2020: • obtained an understanding of controls at the Manager ("BMO"), the custodian and depositary ("JP Morgan") and the administrator ("State Street") over the ownership and valuation of quoted investments; • agreed 100% of the company's quoted investment portfolio at the year end to confirmations received directly from JP Morgan; and • agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. In addition to the procedures above carried out over the key audit matter, we have: • tested the recording of a sample of purchases and sales of quoted investments by agreeing the transactions to supporting documentation and tracing the cash movements to bank statements; and • reviewed the completeness and appropriateness of disclosures in relation to fair value measurements.	Based on the work performed we concluded that the valuation and ownership of quoted investments is appropriate.

6. Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£0.90m (2019: £1.20m)
Basis for determining materiality	1% of net assets (2019: 1% of net assets).
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is the key driver of shareholder value.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

i. the quality of the control environment over financial reporting;

ii. management have expressed willingness to investigate and correct any known misstatements during the current audit period, if applicable; and

iii. There have been no uncorrected misstatements noted in audits during prior years.

We agreed with the audit committee that we would report to the Committee all audit differences in excess of £45,000 (2019: £60,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement.

As described in Note 1 to the financial statements, the Company does not prepare group accounts and as such our audit was scoped for the company only. The financial reporting process is outsourced to BMO Investment Business Limited ("the Manager"), who have in turn delegated certain accounting responsibilities to State Street (Global Fund Accounting), who maintain the underlying accounting records for investment transactions and related balances.

As part of our audit we assessed the controls in place at the Manager and also the relevant controls in place at State Street (Global Fund Accounting). We have reviewed the Service Organisation Reports to assess the control environments in place and the extent relevant to our audit.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements 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, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

9. Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities', 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.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company’s documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the valuation and ownership of quoted investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company’s ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom’s Financial Conduct Authority (FCA).

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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 any material misstatements in the Strategic Report or the Directors' Report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members of the Company on 29 June 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 March 2018 to 31 March 2020.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. 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.

Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
28 May 2020

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Statement of Comprehensive Income

Notes	For the year to 31 March	Revenue Year to 31 March 2020 £'000	Capital Year to 31 March 2020 £'000	Total Year to 31 March 2020 £'000	Revenue Year to 31 March 2019 £'000	Capital Year to 31 March 2019 £'000	Total Year to 31 March 2019 £'000
	Capital (losses)/gains on investments						
11	(Losses)/gains on investments held at fair value through profit or loss	–	(27,431)	(27,431)	–	462	462
21	Exchange gains	–	–	–	–	7	7
	Revenue						
2	Investment income	4,836	–	4,836	5,219	–	5,219
	Total income	4,836	(27,431)	(22,595)	5,219	469	5,688
	Expenditure						
4	Investment management fee	(227)	(529)	(756)	(238)	(555)	(793)
5	Other expenses	(467)	–	(467)	(469)	–	(469)
	Total expenditure	(694)	(529)	(1,223)	(707)	(555)	(1,262)
	Profit/(loss) before finance costs and tax	4,142	(27,960)	(23,818)	4,512	(86)	4,426
	Finance costs						
7	Interest on bank loan	(62)	(144)	(206)	(61)	(143)	(204)
	Total finance costs	(62)	(144)	(206)	(61)	(143)	(204)
	Profit/(loss) before tax	4,080	(28,104)	(24,024)	4,451	(229)	4,222
8	Tax	(27)	–	(27)	–	–	–
	Profit/(loss) for the year	4,053	(28,104)	(24,051)	4,451	(229)	4,222
	Total comprehensive income/(expense) for the year	4,053	(28,104)	(24,051)	4,451	(229)	4,222
10	**Earnings per share**	3.46p	(23.99)p	(20.53)p	3.77p	(0.19)p	3.58p

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

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

No operations were acquired or discontinued in the year.

The accompanying notes on pages 63 to 78 are an integral part of these financial statements.

Statement of Financial Position

Notes	As at 31 March	2020 £'000	2019 £'000
	Non-current assets		
11	Investments held at fair value through profit or loss	**92,587**	125,259
	Current assets		
13	Receivables	**938**	1,696
14	Cash and cash equivalents	**4,003**	1,204
		4,941	2,900
	Total assets	**97,528**	128,159
	Current liabilities		
15	Payables	**(507)**	(554)
		(507)	(554)
	Non-current liabilities		
16	Bank loan	**(7,500)**	(7,500)
		(7,500)	(7,500)
	Total liabilities	**(8,007)**	(8,054)
	Net assets	**89,521**	120,105
17	Share capital	**134**	134
18	Share premium	**153**	153
	Capital redemption reserve	**5**	5
	Buy back reserve	**81,157**	81,643
	Special capital reserve	**14,945**	16,540
	Capital reserves	**(12,907)**	15,197
	Revenue reserve	**6,034**	6,433
	Equity shareholders' funds	**89,521**	120,105
19	**Net asset value per Ordinary share**	**76.66p**	102.39p
19	**Net asset value per B share**	**76.66p**	102.39p

Company Number: SC314671

Approved by the Board and authorised for issue on 28 May 2020 and signed on its behalf by:

John M Evans, Director

The accompanying notes on pages 63 to 78 are an integral part of these financial statements.

Cash Flow Statement

Notes	For the year to 31 March	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
	Cash flows from operating activities		
	(Loss)/profit before tax	**(24,024)**	4,222
	Adjustments for:		
11	Losses/(gains) on investments held at fair value through profit or loss	**27,431**	(462)
21	Exchange gains	**–**	(7)
	Interest income	**(23)**	(7)
	Interest received	**23**	7
2	Dividend income	**(4,813)**	(5,207)
	Dividend income received	**5,428**	4,946
	(Increase)/decrease in receivables	**(16)**	2
	Decrease in payables	**(47)**	(27)
	Finance costs	**206**	204
	Overseas tax suffered	**(55)**	–
	Net cash inflow from operating activities	**4,110**	3,671
	Cash flows from investing activities		
11	Purchases of investments	**(19,784)**	(28,927)
	Sales of investments	**25,201**	31,525
	Net cash inflow from investing activities	**5,417**	2,598
	Cash flows from financing activities		
9	Dividends paid on Ordinary shares	**(4,452)**	(4,346)
9	Capital returns paid on B shares	**(1,595)**	(1,549)
	Interest on bank loan	**(195)**	(193)
17	Shares purchased for treasury	**(486)**	(547)
	Net cash outflow from financing activities	**(6,728)**	(6,635)
20	**Net increase/(decrease) in cash and cash equivalents**	**2,799**	(366)
20	Currency gains	**–**	7
20	Opening net cash and cash equivalents	**1,204**	1,563
20	**Closing net cash and cash equivalents**	**4,003**	1,204

The accompanying notes on pages 63 to 78 are an integral part of these financial statements.

Statement of Changes in Equity

For the year to 31 March 2020

Notes		Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
	Balance as at 1 April 2019	134	153	5	81,643	16,540	(29)	15,226	6,433	120,105
	Total comprehensive income/ (expense) for the year									
	Profit/(loss) for the year	–	–	–	–	–	1,848	(29,952)	4,053	(24,051)
	Total comprehensive income/ (expense) for the year	–	–	–	–	–	1,848	(29,952)	4,053	(24,051)
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	–	–	–	(486)	–	–	–	–	(486)
9	Dividends paid on Ordinary shares	–	–	–	–	–	–	–	(4,452)	(4,452)
9	Capital returns paid on B shares	–	–	–	–	(1,595)	–	–	–	(1,595)
	Balance as at 31 March 2020	134	153	5	81,157	14,945	1,819	(14,726)	6,034	89,521

For the year to 31 March 2019

Notes		Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
	Balance as at 1 April 2018	134	153	5	82,190	18,089	(2,836)	18,262	6,328	122,325
	Total comprehensive income/ (expense) for the year									
	Profit/(loss) for the year	–	–	–	–	–	2,807	(3,036)	4,451	4,222
	Total comprehensive income/ (expense) for the year	–	–	–	–	–	2,807	(3,036)	4,451	4,222
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	–	–	–	(547)	–	–	–	–	(547)
9	Dividends paid on Ordinary shares	–	–	–	–	–	–	–	(4,346)	(4,346)
9	Capital returns paid on B shares	–	–	–	–	(1,549)	–	–	–	(1,549)
	Balance as at 31 March 2019	134	153	5	81,643	16,540	(29)	15,226	6,433	120,105

The accompanying notes on pages 63 to 78 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

A summary of the principal accounting policies is set out below.

Basis of Preparation

The financial statements of the Company have been prepared on a going concern basis and in accordance with the Companies Act 2006, International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

The Company's subsidiary undertaking Investors Securities Company Limited has not been consolidated in the financial statements as it is exempt in accordance with section 405(2) of the Companies Act 2006 on grounds of materiality. Investors Securities Company Limited has been classified at fair value through profit or loss in the Statement of Financial Position.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) because that is the currency of the primary economic environment in which the Company operates. They are rounded to the nearest thousand except where otherwise indicated.

The Board confirms that no significant accounting judgements or estimates have been applied to the financial statements and therefore there is not a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is included in the Report of the Directors on page 32.

The accounting policies adopted are consistent with those of the previous financial year, and no new standards have been adopted in the current year.

Presentation of Statement of Comprehensive Income

In order to reflect better the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 Corporation Tax Act 2010.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are classified as fair value through profit or loss. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition.

1. Accounting policies (continued)

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted investments, including the subsidiary, are valued at fair value by the Directors on the basis of all information available to them at the time of valuation.

Where securities are designated upon initial recognition as fair value through profit or loss, gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item. On derecognition any gain or loss arising is transferred from the Capital reserve – Investments Held to Capital reserve – Investments Sold.

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 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The Company's investment in its dealing subsidiary is included in Level 3 and is valued at its equity value.

Receivables

Receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash in banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are initially recorded at the proceeds received, net of issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income 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 in which they arise.

Derivative financial instruments

Derivatives are classified as fair value through profit or loss – held for trading and are held at fair value and changes in fair value are recognised in the capital return column of the Statement of Comprehensive Income. No derivative financial instruments were held during the year to 31 March 2020.

Payables

Payables are not interest bearing and are stated at their nominal value.

1. Accounting policies (continued)

Reserves

(a) Share premium – the surplus of net proceeds received from the issue of new shares over the par value of such shares is credited to this account. The majority of the balance of this account which arose as a result of the issue of new shares at launch was subsequently cancelled by the Court of Session to create the Buyback reserve and Special capital reserve. These reserves are explained below. To the extent that the consideration received exceeds the value at which the shares were initially bought into treasury, the gain arising on the resale of shares from treasury will be credited to the share premium account. The share premium account is non-distributable.

(b) Capital redemption reserve – the nominal value of any of the shares bought back for cancellation is added to this reserve. This reserve is non-distributable.

(c) Buyback reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the A Shares. Available as distributable profits to be used for the buy back of Shares. The cost of any shares bought back is deducted from this reserve. The cost of any Shares resold from treasury is added back to this reserve.

(d) Special capital reserve – created from the Court cancellation of the share premium account which had arisen from premiums paid on the B Shares. Available for paying capital returns on the B Shares.

(e) Capital reserves
Capital reserve – investments sold – gains and losses on realisation of investments are dealt with in this reserve together with the proportion of management fees, interest and taxation allocated to capital. This reserve also includes dividends of a capital nature.
Capital reserve – investments held – increases and decreases in the valuation of investments held are accounted for in this reserve, together with unrealised exchange differences on forward foreign currency contracts.

The Company's Articles of Association allow distributions to be made from realised capital reserves where the balance on this reserve is positive.

(f) Revenue reserve – the net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve. Available for paying dividends on the Ordinary shares.

Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

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

Special dividends of a non-capital nature are recognised through the revenue column of the Statement of Comprehensive Income. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

Interest income from fixed interest securities is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Other investment income and deposit interest are included on an accruals basis.

1. Accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

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

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Expenses and interest

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except where incurred in connection with the maintenance or enhancement of the value of the Company's investment portfolio taking account of the expected long term split of returns as follows:

- Interest payable on the bank term loan is recognised on an effective yield basis and allocated 30 per cent to revenue and 70 per cent to capital.

- Management fees have been allocated 30 per cent to revenue and 70 per cent to capital.

Foreign currency

Transactions denominated in foreign currencies are expressed in pounds sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Non-monetary non current assets held at fair value through profit and loss and denominated in foreign currencies are reported at the rates of exchange prevailing when the fair value was assessed. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

Rates of exchange at 31 March	2020	2019
Euro	1.1301	1.1605
Swiss Franc	1.1997	1.2977

2. Income

	2020 £'000	2019 £'000
Income from investments		
UK dividend income	4,485	5,041
Overseas dividend income	328	166
	4,813	5,207
Other income		
Deposit interest	23	7
Other income	–	5
Total income	4,836	5,219
Total income comprises:		
Dividends	4,813	5,207
Deposit interest	23	7
Other income	–	5
Total income	4,836	5,219
Income from investments:		
Listed	4,813	5,207

Included within income from investments is £114,000 (2019: £215,000) of special dividends and £143,000 (2019: £nil) of SCRIP dividends classified as revenue in nature.

3. Operating segments

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

4. Investment management fee

	Revenue £'000	Capital £'000	2020 Total £'000	Revenue £'000	Capital £'000	2019 Total £'000
Investment management fee	227	529	756	238	555	793

The Company's investment manager is BMO Investment Business Limited. The contract between the Company and BMO Investment Business Limited may be terminated at any date by either party giving six months' notice of termination. In the event of the Company terminating the contract by giving less than six months' notice, BMO Investment Business Limited is entitled to compensation calculated as a proportion of the fees payable by the Company in respect of the previous financial year.

With effect from 1 April 2018 the investment management fee is 0.65 per cent per annum on the net asset value of the Company. Prior to that date the investment management fee was 0.75 per cent per annum of the net asset value of the Company.

The investment management fee for the quarter ended 31 March 2020 of £144,000 (2019: £192,000) is due to the Company's investment manager at the year end.

5. Other expenses (including irrecoverable VAT thereon)

	2020 £'000	2019 £'000
Auditor's remuneration for:		
– statutory audit	31	26
Broker and professional fees	74	65
Credit facility committment fee	41	42
Custody and depository	17	21
Directors' fees (Note 6)	116	130
Marketing	30	28
Printing and postage	42	38
Registrar's fees	29	30
Subscription and listing fees	40	41
Other	47	48
	467	469

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £34,500 per annum (2019: £34,000).

Other Directors' emoluments amounted to £23,500 (2019: £23,000) each per annum, with the chairman of the Audit Committee receiving an additional £4,500 (2019: £4,000) per annum. Full details are provided in the Directors' Remuneration Report on pages 47 to 49.

7. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Finance costs attributable to term loan	62	144	206	61	143	204

Finance costs have been allocated 30 per cent to revenue and 70 per cent to capital in accordance with the Company's accounting policies.

8a. Tax on ordinary activities

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Corporation tax	27	–	27	–	–	–
Total tax charge	27	–	27	–	–	–

8b. Factors affecting tax charge for current year

A reconciliation of the current tax charge for the current year is set out below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(24,024)	4,222
Taxation on ordinary activities at the UK standard rate of corporation tax of 19% (2019: 19%)	(4,565)	802
Effects of:		
– Non taxable dividend income	(901)	(974)
– Non taxable capital losses/(gains)	5,212	(89)
– Overseas tax suffered	27	–
– Excess management expenses	254	261
Total tax charge for the year	27	–

The deferred tax asset of £2,075,000 (2019: £1,826,000) in respect of unutilised expenses at 31 March 2020 has not been recognised as it is uncertain that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted. The deferred tax asset has been calculated at the UK standard rate of corporation tax of 19%.

9. Dividends and capital repayments

	Payment date	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Amounts recognised as distributions to shareholders in the year:							
For the year ended 31 March 2019							
Fourth interim dividend at 1.29p (2019: 1.25p) per Ordinary share	3-May-19	1,114	–	1,114	1,087	–	1,087
Fourth capital repayment at 1.29p (2019: 1.25p) per B share	3-May-19	–	399	399	–	387	387
For the year ended 31 March 2020							
First interim dividend at 1.29p (2019: 1.25p) per Ordinary share	2-Aug-19	1,114	–	1,114	1,087	–	1,087
First capital repayment at 1.29p (2019: 1.25p) per B share	2-Aug-19	–	399	399	–	387	387
Second interim dividend at 1.29p (2019: 1.25p) per Ordinary share	1-Nov-19	1,114	–	1,114	1,086	–	1,086
Second capital repayment at 1.29p (2019: 1.25p) per B share	1-Nov-19	–	399	399	–	387	387
Third interim dividend at 1.29p (2019: 1.25p) per Ordinary share	7-Feb-20	1,110	–	1,110	1,086	–	1,086
Third capital repayment at 1.29p (2019: 1.25p) per B share	7-Feb-20	–	398	398	–	388	388
		4,452	1,595	6,047	4,346	1,549	5,895
Amounts relating to the year but not paid at the year end:							
Fourth interim dividend at 1.34p (2019: 1.29p) per Ordinary share	1-May-20	1,151	–	1,151	1,114	–	1,114
Fourth capital repayment at 1.34p (2019: 1.29p) per B share	1-May-20	–	414	414	–	399	399
		1,151	414	1,565	1,114	399	1,513

As shown in the preceding table, the Directors have declared a fourth interim dividend and capital repayment in respect of the year ended 31 March 2020 of 1.34p per share, which was paid on 1 May 2020 to shareholders on the register on 3 April 2020. Although these payments relate to the year ended 31 March 2020, under IFRS they will be accounted for in the period during which they are paid.

9. Dividends and capital repayments (continued)

The dividends paid and payable in respect of the financial year ended 31 March 2020, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2020 £'000
Revenue available for distribution by way of dividends for the year	4,053
First quarterly interim dividend of 1.29p per Ordinary share paid in respect of the year ended 31 March 2020	(1,114)
Second quarterly interim dividend of 1.29p per Ordinary share paid in respect of the year ended 31 March 2020	(1,114)
Third quarterly interim dividend of 1.29p per Ordinary share paid in respect of the year ended 31 March 2020	(1,110)
Fourth quarterly interim dividend of 1.34p per Ordinary share payable in respect of the year ended 31 March 2020*	(1,151)
Use of revenue reserve	(436)

*based on 85,922,653 Ordinary shares in issue at the record date of 3 April 2020.

10. Earnings per share

The Company's earnings per share are based on the loss for the year of £24,051,000 (year to 31 March 2019 profit: £4,222,000) and on 86,199,196 Ordinary shares (2019: 86,904,582) and 30,924,172 B shares (2019: 30,976,703), being the weighted average number of shares in issue of each share class during the year.

The Company's revenue earnings per share are based on the revenue profit for the year of £4,053,000 (year to 31 March 2019: £4,451,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital loss for the year of £28,104,000 (year to 31 March 2019 loss: £229,000) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Listed securities	**92,337**	125,009
Subsidiary undertaking	**250**	250
	92,587	125,259

	Listed/ Quoted (Level 1) £'000	Subsidiary/ Unlisted (Level 3)* £'000	Total £'000
Opening book cost	109,783	250	110,033
Opening unrealised gains	15,226	–	15,226
Opening valuation	125,009	250	125,259
Movements in the year:			
Purchases at cost	19,784	–	19,784
Sales – proceeds	(25,025)	–	(25,025)
– gains on sales	2,521	–	2,521
Decrease in unrealised gains	(29,952)	–	(29,952)
Fair Value of Investments at 31 March 2020	92,337	250	92,587
Closing book cost at 31 March 2020	107,063	250	107,313
Closing unrealised losses	(14,726)	–	(14,726)
Fair Value of Investments at 31 March 2020	92,337	250	92,587

* Level 3 is the investment in the subsidiary undertaking, Investors Securities Company Limited, which is valued at its net asset value and for which observable market data is not applicable.

	2020 £'000	2019 £'000
Equity investments	**92,587**	125,259
	92,587	125,259
Net gains on realisation of investments	**2,521**	3,352
Movement in fair value	**(29,952)**	(2,890)
(Losses)/gains on investments	**(27,431)**	462

The Company incurred transaction costs of £45,000 (2019: £104,000) on the purchase of assets and £11,500 (2019: £15,000) on the sale of assets in the year.

Net gains on realisation of investments during the year represents the difference between the net proceeds of sale and the book cost of the investments sold. Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gains/losses was included in the fair value of the investments.

Movement in fair value represents the decrease in the difference between the book cost of investments held and their market value at 31 March 2020 compared with the difference between the book cost of investments held and their market value at 31 March 2019.

12. Significant interests

As at 31 March 2020, the Company's subsidiary undertaking which deals in investments is:

Name	Country of incorporation or Registration	Class of Capital	Share Capital and Reserves £'000	Profit for the year £'000	% of Class held	% of Equity held	Valuation at 31.03.20 and 31.03.19 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

The registered office of Investors Securities Company Limited is 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG.

At 31 March 2020, no investments were held by the dealing subsidiary and it did not trade during the year. The accounts of this subsidiary have not been consolidated with those of the Company as, in the opinion of the Directors, it is not material.

13. Receivables

	2020 £'000	2019 £'000
Income receivable from shares and securities	714	1,329
Due from brokers in settlement of sales of investments	93	–
Capital return receivable from shares and securities	–	269
Withholding tax recoverable	72	44
Sundry debtors and prepayments	59	54
	938	1,696

14. Cash and cash equivalents

All cash balances in the current and prior year were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the year end.

15. Payables

	2020 £'000	2019 £'000
Loan from subsidiary undertaking repayable on demand	250	250
Accrued expenses	113	112
Investment management fee payable to the Manager	144	192
	507	554

16. Bank loan

	2020 £'000	2019 £'000
£7.5 million term loan maturing 28 September 2022	7,500	7,500

The Company has a £7.5 million unsecured term loan from Scotiabank Europe plc until 28 September 2022 and at a fixed interest rate of 2.58 per cent per annum. The Company also has a £7.5 million unsecured multicurrency revolving credit facility ("RCF") with Scotiabank (Ireland) Designated Activity Company available until 28 September 2022. £nil of the RCF was drawn down at 31 March 2020 (£nil at 31 March 2019). Arrangement and legal fees of £55,000 were incurred and are being amortised over the term of these facilities.

The loan agreements contain certain financial covenants with which the Company must comply. These include a financial covenant with respect to the ratio of the Adjusted Net Asset Value (as defined in the loan agreements) to the level of debt and also that the Net Asset Value does not fall below £65 million. The Company complied with the required financial covenants throughout the period since drawdown.

The fair value of the £7.5 million term loan, calculated using a discounted cashflow technique, is not materially different from the value reflected in the Statement of Financial Position.

17. Share capital

Allotted, issued and fully paid

	Listed		Held in Treasury		In Issue	
	Number	£	Number	£	Number	£
Ordinary Shares of 0.1p each						
Balance at 1 April 2019	102,067,144	102,067	(15,739,000)	(15,739)	86,328,144	86,328
Repurchased to be held in treasury	–	–	(405,491)	(405)	(405,491)	(405)
Balance at 31 March 2020	102,067,144	102,067	(16,144,491)	(16,144)	85,922,653	85,923
B Shares of 0.1p each						
Balance at 1 April 2019	32,076,703	32,077	(1,100,000)	(1,100)	30,976,703	30,977
Repurchased to be held in treasury	–	–	(117,953)	(118)	(117,953)	(118)
Balance at 31 March 2020	32,076,703	32,077	(1,217,953)	(1,218)	30,858,750	30,859
Total at 31 March 2020	134,143,847	134,144	(17,362,444)	(17,362)	116,781,403	116,782

During the year the Company bought back 405,491 Ordinary Shares (2019: 600,000 Ordinary shares) to hold in treasury at a cost of £379,000 (2019: £547,000) and 117,953 B Shares (2019: nil B Shares) to hold in treasury at a cost of £107,000 (2019: £nil). The Company did not buy back any shares for cancellation during the year (2019: nil).

At 31 March 2020 the Company held 16,144,491 Ordinary Shares (2019: 15,739,000 Ordinary shares) and 1,217,953 B Shares (2019: 1,100,000 B Shares) in treasury.

17. Share capital (continued)

Shareholder entitlements

The Company has two classes of shares: Ordinary Shares and B Shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital repayments. Ordinary Shares are entitled to all dividends paid by the Company and no dividends may be paid to B Shareholders. B Shareholders are entitled to capital repayments from the Company at an amount per share equal to, but not exceeding, any dividend paid per share to Ordinary Shareholders.

The net asset value attributable to each class of share is the same. Apart from voting rights entitlements at separate class meetings, every Ordinary Share and every B Share carries equal voting rights. Upon a winding up or reconstruction of the Company, each Ordinary Share and each B Share shall have an equal right to share in the residual assets of the Company.

18. Share premium account and reserves

In 2007, the Court of Session confirmed the cancellation of the entire amount originally standing to the credit of the share premium account and the creation of two distinct reserves, the first reserve relating to that part of the cancelled share premium account arising from premiums paid on the A Shares (the "buy back reserve") and the second reserve relating to that part of the cancelled share premium account arising from premiums paid on the B Shares (the "special capital reserve").

The Company will apply these two reserves as follows:

- the buy back reserve will be available as distributable profits to be used for the buy back of both Ordinary shares and B shares; and

- the special capital reserve will be used for the purpose of paying capital repayments on the B Shares.

Capital management

The Company's capital is represented by the issued share capital, share premium account, capital redemption reserve, buy back reserve, special capital reserve, capital reserve – investments sold, capital reserve – investments held and revenue reserve. Details of the movement through each reserve are shown in the Statement of Changes in Equity. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Purpose, Strategy and Business Model and Policy Summary and the Report of the Directors. In order to maintain an optimal capital structure through varying market conditions the Company has the ability to:

- issue and buyback share capital within limits set by the shareholders in general meeting;

- borrow money in the short and long term;

- pay dividends to Ordinary shareholders out of current year revenue earnings as well as out of the brought forward revenue reserve; and

- pay capital repayments to B shareholders out of the special capital reserve.

The Company has the power under its Articles to borrow an amount up to 100 per cent of the Company's Adjusted Capital and Reserves. The Directors currently intend that the aggregate borrowings of the Company will be limited to approximately 20 per cent of the Company's gross assets immediately following drawdown of any new borrowings. The Directors will, however, retain flexibility to increase or decrease the level of gearing to take account of changing market circumstances and in pursuit of the Company's investment objectives.

19. Net asset value per share

The Company's basic net asset value per share of 76.66p (2019: 102.39p) is based on the equity shareholders' funds of £89,521,000 (2019: £120,105,000) and on 116,781,403 equity shares, consisting of 85,922,653 Ordinary Shares and 30,858,750 B Shares (2019: 117,304,847 equity shares, consisting of 86,328,144 Ordinary Shares and 30,976,703 B Shares), being the number of shares in issue at the year end.

	2020	2019
Net assets attributable	£89,521,000	£120,105,000
Equity shares in issue at the year end	116,781,403	117,304,847
Net asset value per Ordinary/B share	76.66p	102.39p

The Company's shares may also be traded as units, each unit consisting of three Ordinary Shares and one B Share. The basic net asset value per unit as at 31 March 2020 was therefore 306.64p (2019: 409.56p).

The Company's treasury net asset value per share, incorporating the 16,144,491 Ordinary shares and 1,217,953 B Shares held in treasury at the year end (2019: 15,739,000 Ordinary Shares and 1,100,000 B Shares), was 76.16p (2019: 101.75p). The Company's treasury net asset value per unit at the end of the year was 304.64p (2019: 407.00p). The Company's current policy is to only re-sell shares held in treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of sale, together with other conditions. Accordingly, for the purpose of the calculation, such treasury shares are valued at the higher of net asset value less 5 per cent and the mid market share price at each year end.

In future, if approved by shareholders at the AGM on 27 July 2020 the sale of treasury shares is to be at a price not less than the net asset value per share.

20. Analysis of changes in net debt

	At 1 April 2019 £'000	Cash flow £'000	Currency movements £'000	At 31 March 2020 £'000
Cash and cash equivalents	1,204	2,799	–	4,003
Bank loan	(7,500)	–	–	(7,500)
Net debt	(6,296)	2,799	–	(3,497)

21. Financial instruments

The Company's financial instruments comprise equity investments, cash balances, receivables and payables that arise directly from its operations and borrowings. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings to achieve enhanced returns. The downside risk of borrowings can be mitigated by raising the level of cash balances held.

The Company may use derivatives for efficient portfolio management from time to time. No derivative financial instruments were used during the year. The only derivatives used in the prior year were forward foreign exchange currency contracts to hedge currency movements. The Company may also write call options over some investments held in the Investment Portfolio. There were no call options written during the current year or prior year.

The fair value of the financial assets and liabilities of the Company at 31 March 2020 is not materially different from their carrying value in the financial statements.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, market price risk, liquidity risk, interest rate risk and foreign currency risk.

The Board reviews and agrees policies for managing its risk exposure. These policies are summarised overleaf and have remained unchanged for the year under review.

21. Financial instruments (continued)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's principal financial assets are bank balances and cash and other receivables, whose carrying amounts in the Statement of Financial Position represent the Company's maximum exposure to credit risk in relation to financial assets. The Company did not have any exposure to any financial assets which were past due or impaired at the current or prior year end.

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. A list of pre-approved counterparties used in such transactions is maintained and regularly reviewed by the Manager, and transactions must be settled on a basis of delivery against payment. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the acceptable quality of the brokers used. The rate of default in the past has been insignificant.

All of the assets of the Company, are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to the securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Audit Committee.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, normally rated A or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

The Company has no significant concentration of credit risk with exposure spread over a number of counterparties and financial institutions.

Market price risk

The fair value of equity and other financial securities 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. Other external events such as protectionism, inflation or deflation, economic recessions and terrorism could also affect share prices in particular markets. The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Purpose, Strategy and Business Model on pages 9 and 10 and Policy Summary on pages 28 to 29. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment performance is discussed in more detail in the Manager's Review and further information on the investment portfolio is set out in the sections of this report entitled 'Classification of Investments' and 'Investment Portfolio'.

Any changes in market conditions will directly affect the profit or loss reported through the Statement of Comprehensive Income. A 10 per cent increase in the value of the Investment Portfolio as at 31 March 2020 would have increased net assets and income for the year by £9,258,700 (2019: an increase of 10 per cent in the Investment Portfolio would have increased net assets and income by £12,526,000). A decrease of 10 per cent (2019: 10 per cent) would have had an equal but opposite effect.

The calculations above are based on investment valuations at the respective statement of financial position dates and are not representative of the year as a whole, nor are they reflective of future market conditions.

Disclosure of the hierarchy of fair value measurements for financial instruments, as required by IFRS 13, is provided in note 11 and in the accounting policies.

21. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash and cash equivalents ordinarily held. Cash balances are held with a spread of reputable banks with a credit rating of normally A or higher, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

In certain circumstances, the terms of the Company's bank loan entitle the lender to demand early repayment and, in such circumstances, the Company's ability to maintain dividend levels and the net asset value attributable to equity shareholders could be adversely affected. Such early repayment may be required on the occurrence of certain events of default which are customary for facilities of this type. These include events of non payment, breach of other obligations, misrepresentations, insolvency and insolvency proceedings, illegality and a material adverse change in the financial condition of the Company.

The remaining contractual maturities of the financial liabilities at 31 March 2020, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than two years £'000	More than two years but less than five years £'000	Total £'000
31 March 2020					
Current liabilities					
Payables	257	–	–	–	257
Non-current liabilities					
Bank loan	48	146	194	7,596	7,984
31 March 2019					
Current liabilities					
Payables	304	–	–	–	304
Non-Current liabilities					
Bank loan	48	144	193	7,792	8,177

The figures in the above table are on a contractual maturity basis and therefore include interest payments where applicable.

Interest rate risk

Some of the Company's financial instruments are interest bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate. The Company's exposure to floating interest rates gives cashflow interest rate risk and its exposure to fixed interest rates gives fair value interest rate risk.

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 0.1 per cent at 31 March 2020 (2019: 0.75 per cent).

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the year by £40,000 (year to 31 March 2019: £12,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the net cash balances at the respective statement of financial position date and are not representative of the year as a whole, nor are they reflective of future market conditions.

21. Financial instruments (continued)

Fixed rate

At 31 March 2020 and 31 March 2019 the Company's Investment Portfolio did not contain any fixed interest or floating rate interest assets. Details of the Company's Investment Portfolio are given in Note 11 and in the section of this report entitled 'Classification of Investments' and 'Investment Portfolio'. At 31 March 2020 and 31 March 2019 the Company had fixed interest liabilities.

	2020 £'000	2020 Weighted average interest rate	2020 Average duration until maturity	2019 £'000	2019 Weighted average interest rate	2019 Average duration until maturity
Fixed interest liabilities:						
Term loan	7,500	2.58%	2.5 years	7,500	2.58%	3.5 years

The £7.5 million term loan carries a fixed interest rate of 2.58 per cent per annum. An interest rate sensitivity analysis has not been performed as the Company has borrowed at a fixed rate of interest.

Foreign currency risk

It is not the Company's policy to hedge any overseas currency exposure on equity investments. Foreign currency exposure (which includes Euro and Swiss Franc denominated equity investments) at 31 March 2020 was as follows:

	2020 Investments £'000	2020 Net Current Assets £'000	2020 Cash £'000	2020 Total £'000	2019 Investments £'000	2019 Net Current Assets £'000	2019 Cash £'000	2019 Total £'000
Swiss Franc	1,864	–	–	1,864	–	–	–	–
Euro	9,803	50	–	9,853	12,110	20	–	12,130
	11,667	50	–	11,717	12,110	20	–	12,130

Total gains in the year from foreign exchange transactions and balances held in cash were £nil (2019 gains – £7,000).

At 31 March 2020, if the value of sterling had weakened against the Euro and Swiss Franc by 10 per cent the impact on the profit or loss and the net asset value would have been an increase of £1,171,700 (2019: £1,213,000). If the value of sterling had strengthened against the Euro and Swiss Franc by 10 per cent the effect would have been equal and opposite.

22. Related party and transactions with the Manager

The Directors of the Company are considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 47 to 49 and as set out in note 6 to the financial statements. There are no outstanding balances with the Board at year end.

The beneficial interests of the Directors in the Ordinary shares and B shares of the Company are disclosed on page 48.

Transactions between the Company and BMO Investment Business Limited are detailed in note 4 on management fees and in note 15 in relation to fees owed to BMO Investment Business Limited at the statement of financial position date. The existence of an independent Board of Directors demonstrated that the Company is free to pursue its own financial and operating policies and therefore under the AIC SORP, the Manager is not considered a related party.

23. Post-balance sheet events

Since 31 March 2020, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

AIFM Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

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 31 March 2020 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	260%	260%
Actual	103%	108%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method.

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.

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.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

Notice of Annual General Meeting

Notice is hereby given that the thirteenth Annual General Meeting of BMO UK High Income Trust PLC will be held at Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG, on Monday 27 July 2020 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolutions 12 to 15 as Special Resolutions:

Ordinary Business

Ordinary Resolutions

1. That the Annual Report and Financial Statements for the year to 31 March 2020 be received.

2. That the Directors' Remuneration Policy be approved.

3. That the Annual Report on Directors' Remuneration for the year ended 31 March 2020 be approved.

4. That Mrs H M Galbraith, who was appointed as a Director in May 2020, be elected.

5. That Mr S J Mitchell who was appointed as a Director in May 2020, be elected.

6. That Mrs J Le Blan, who retires annually, be re-elected as a Director.

7. That Mr J M Evans, who retires annually, be re-elected as a Director.

8. That Mr A K Watkins, who retires annually, be re-elected as a Director.

9. That Deloitte LLP be re-appointed as Auditor and the Directors be authorised to determine its remuneration.

10. That the Company's dividend/capital repayment policy with regard to quarterly payments as set out in the Annual Report and Financial Statements be approved.

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 of the Company 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 to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £4,296 in respect of Ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") and £1,542 in respect of B shares of 0.1 pence each in the capital of the Company ("B Shares"), such authority to expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2021, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

12. That, subject to the passing of Resolution number 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by Resolution number 11 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

    (a) expires at the conclusion of the Company's next Annual General Meeting or on 30 September 2021, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,296 in respect of Ordinary Shares and £1,542 in respect of B Shares (being approximately 4.4 per cent of the total nominal value of the issued share capital of the Company (including treasury shares), as at 28 May 2020) at a price of not less than the net asset value per share of the existing Ordinary Shares (in the case of an allotment of Ordinary Shares) or B Shares (in the case of an allotment of B Shares).

13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, 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 fully paid Ordinary shares of 0.1 pence each in the capital of the Company and fully paid B Shares of 0.1p each in the capital of the Company ("Ordinary and/or B Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

    (a) the maximum aggregate number of Ordinary Shares and B Shares hereby authorised to be purchased is 14.99 per cent of the issued Ordinary Shares and 14.99 per cent of the issued B Shares (excluding Ordinary and B Shares held in treasury) immediately prior to the passing of this resolution (see note 13);

    (b) the minimum price (excluding expenses) which may be paid for an Ordinary Share or B Share is 0.1 pence;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share or B Share shall not be more than the higher of:

        i. 5 per cent. above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of an Ordinary Share or B Share over the five business days immediately preceding the date of purchase; and

        ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

    (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2021 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares and/or B Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares and/or B Shares pursuant to any such contract.

14. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (as amended) (the "Act") to sell equity securities (within the meanings of sections 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £8,592 in respect of Ordinary Shares and £3,084 in respect of B Shares, representing approximately 8.4 per cent of the Company's Ordinary share capital in issue (including treasury shares) as at the date of the passing of this resolution and approximately 9.6 per cent of the Company's B share capital in issue (including treasury shares) as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2021 or at the conclusion of the Company's next Annual General Meeting, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

15. That the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2020 Annual General Meeting.

By order of the Board
For BMO Investment Business Limited
Company Secretary
Quartermile 4,
7a Nightingale Way
Edinburgh EH3 9EG

28 May 2020

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Ordinary shareholder is entitled to one vote per Ordinary share held and each B shareholder is entitled to one vote per B share held.

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. 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.

3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

4. 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.

5. Shareholders can vote online by logging onto www.sharevote.co.uk. To use this service shareholders will need their Voting ID, Task ID and Shareholder Reference Number printed on the accompanying Form of Proxy. Full details of the procedure are given on the website. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can vote by logging on to their portfolio at www.shareview.co.uk using your usual user ID and password. Once logged in simply click "view" on the "My Investments" page, click on the link to vote, then follow the on screen instructions.

6. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.30 p.m. on 23 July 2020 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30 pm on the day two days (excluding non-working days) prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30 p.m. on 23 July 2020 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30 pm on the day two days prior to any adjourned meeting (excluding non-working days), shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

8. As at 28 May 2020 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 85,922,653 Ordinary Shares carrying one vote each and 30,858,750 B Shares carrying one vote each. The Company holds 16,144,491 Ordinary Shares and 1,217,953 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 28 May 2020 were 116,781,403 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

9. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during, the Annual General Meeting.

10. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.bmoukhighincome.com.

11. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

    (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    (b) the answer has already been given on a website in the form of an answer to a question; or

    (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

12. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditor) setting out any matter relating to the audit of the Company's accounts including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

13. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

14. Following Resolution 13 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 12,879,800 Ordinary shares and 4,625,700 B shares (or, if less, 14.99 per cent. of the number of Ordinary shares and 14.99 per cent. of the number of B shares in issue (excluding treasury shares) immediately prior to the passing of the resolution).

15. A copy of the current articles of association of the Company and the proposed new articles of association of the Company will be available for inspection on the Company's website, www.bmoukhighincome.com and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted) from the date of the AGM Notice until the close of the AGM and will also be available for inspection from 15 minutes before and at the AGM.

16. Given the risks posed by the spread of COVID-19 and following the "Stay at Home" guidance received from the Government, the current restrictions on travel and public gatherings of more than two persons and the recommended practice of self-isolation, shareholders are not expected to the attend the AGM and the Company may, in accordance with its Articles of Association, impose entry restrictions on certain persons wishing to attend the AGM or may be required to adjourn the AGM. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

    All shareholders are strongly encouraged to exercise your votes in respect of the AGM in advance. This should ensure that your votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from our shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance and the answers to these questions will be posted on our website after the AGM. Shareholders should submit any questions they may have to UKHITCoSec@bmogam.com before 23 July 2020.

Appendix
New Articles

Explanatory notes of principal changes to the Company's articles of association

Virtual/hybrid general meetings

The New Articles permit the Company to hold general meetings where shareholders are not required to attend in person but may attend and participate virtually. A meeting can be wholly virtual if attendees participate only by way of electronic means or a meeting may be "hybrid", where some attendees are based in a single physical location and others attend electronically. This will make it easier for the Company's shareholders to take part in future general meetings. Certain consequential changes to facilitate this amendment have been made throughout the New Articles.

It should be noted that, while the New Articles will allow for meetings to be held and conducted in such a way that persons who are not present together at the same physical location may attend, speak and vote at the meeting by electronic means, the Directors have no present intention of holding a wholly electronic meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a virtual or hybrid meeting to be held. Nothing in the New Articles will prevent the Company from holding physical general meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

(i) The Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

(ii) The AIFM Regulations require that prior to any new or existing investor making an investment in the Company, certain prescribed information is to be made available to them. Therefore, the New Articles will include language with the effect that such information shall be made available to prospective and existing shareholders in such manner as may be determined by the Board from time to time (including, in certain cases, on the Company's website or by electronic notice).

(iii) The valuation of the Company's assets will be performed in accordance with prevailing accounting standards, in line with guidance from the Financial Conduct Authority. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

(iv) The existing Articles of Association will be amended to provide that the Company's annual report and accounts may be prepared either in accordance with generally accepted accounting principles of the United Kingdom or such other international accounting standards as may be permitted under Scots law. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International tax regimes requiring the exchange of information

The Board is proposing to update the provisions in the New Articles to provide the Company with further flexibility to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

The Articles already provided the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA and consequently having to pay withholding tax to the US Internal Revenue Service. The Existing Articles will be updated to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole.

Directors fees

The limit in the Existing Articles of Association in respect of the fees that may be paid to Directors is currently £150,000 per annum. It is proposed that this limit is increased in the New Articles to £175,000 per annum to give the Board flexibility as it continues with the ongoing refreshment of the Board.

Capital Structure At 31 March 2020

The Company has a capital structure comprising Ordinary shares and B shares. In addition, the Company has a bank loan.

The Company's capital structure offers shareholders the opportunity to receive quarterly returns in the form of either dividends, capital repayments, or both, to suit their own particular circumstances.

The Company has two classes of shares: Ordinary shares and B shares. The rights of each class of shares are identical, save in respect of the right to participate in dividends and capital repayments. Irrespective of these rights, the net asset value attributable to each class of shares is the same.

Only Ordinary shares carry a right to participate in dividends paid by the Company. B shares are not entitled to dividends but each B share instead carries the right to receive a capital repayment at the same time as, and in an amount equal to, each dividend paid in respect of Ordinary shares. The capital repayments are paid out of the special capital reserve and accordingly will only be able to be paid for so long as the amount of the special capital reserve remains sufficient. If and when this reserve is exhausted, the Articles of Association provide that all the Ordinary shares and all the B Shares automatically convert into Ordinary shares with identical rights.

The tax treatment on distributions received from Ordinary shares will be different from that on distributions received from B shares. Dividends paid on the Ordinary shares will be taxed on receipt in the normal way for dividends. Capital repayments received on B shares will fall to be taxed in accordance with the rules relating to the taxation of chargeable gains (see further information below) for non-corporate holders (including individuals).

It is the Company's policy to maintain the ratio of Ordinary shares to B shares (excluding shares held in Treasury) within the range 72.5% : 27.5% and 77.5% : 22.5%.

These two securities can be traded together in the form of a unit with each unit consisting of three Ordinary shares and one B share.

Bank Loan Facility

The Company has a sterling term bank loan in the amount of £7.5 million which matures on 28 September 2022. The rate of interest has been fixed at 2.58 per cent per annum. The returns of both the Ordinary shares and B shares are geared by this bank loan.

Further information on the B Shares

What is different about the B shares

The B shares are just like any other ordinary share except that, instead of dividends, B shareholders receive capital repayments, so B shareholders will receive the same amount of cash on a quarterly basis as Ordinary shareholders, but when it comes to the tax on these capital repayments the tax treatment will be different. Effectively, no UK tax is due on receipt of the capital repayments.

So a higher rate taxpayer, for example, will not be liable on receipt to the additional income tax that would normally be applicable on receipt of a dividend. This is because the capital repayment is taxed under UK Capital Gains Tax ('CGT') rules rather than Income Tax rules for non-corporate holders (including individuals). It is only when the B shares are disposed of that the capital repayments received need to be taken into account as part of the CGT disposal calculation. If the shares continue to be held until death, no CGT arises in respect of the capital repayments. The value of the holding will, however, be taken into account for Inheritance Tax purposes, if applicable.

A summary of the tax treatment.

The capital repayments paid on the B shares will be taxed for individuals under CGT rules rather than Income Tax rules. Holders of B shares therefore have more scope for tax planning (for example, by selling shares within the annual CGT exempt amount, or by offsetting gains against capital losses).

UK tax is not, in normal circumstances, due on receipt of the quarterly capital repayments and you do not need to include them on your tax return. Instead, when you dispose of B shares, an amount equivalent to the capital repayments you have received is deducted from the tax base cost as part of the CGT calculation. This treatment applies because the quarterly sums are treated as 'small capital receipts' under CGT rules; being either less than 5 per cent of the market value of the B shareholding at the date of receipt or less than £3,000.

An individual B shareholder's annual exempt amount for CGT purposes is not reduced or prejudiced by this treatment of capital repayments. Non-UK resident shareholders will not be subject to UK tax on capital repayments, although local tax could arise.

A detailed description of taxation of the B shares was contained in the Company's launch Prospectus, which is available on request.

The above is based on an understanding of legislation and HM Revenue and Customs' practice at the time of publication. Tax rates and reliefs depend on the circumstances of the individual investor, are subject to government legislation and may change in the future. You should consult your tax adviser on your own individual tax circumstances.

Shareholder Information

Dividends

Dividends on Ordinary shares and capital repayments on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited (see back cover page for contact details) on request. The Company operates the BACS system for the payment of distributions. Where distributions are paid directly into shareholders' bank accounts, dividend and capital repayment tax vouchers are sent directly to shareholders' registered addresses.

Reinvestment of Returns

If you hold B shares through one of the BMO savings plans, you can elect to have the quarterly repayments automatically reinvested to buy further shares; contact BMO for further information.

Share Prices and Daily Net Asset Value

The Company's securities are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the Financial Times and other newspapers. The net asset value of the Company's shares can be obtained by contacting BMO Investor Services on 0345 600 3030.

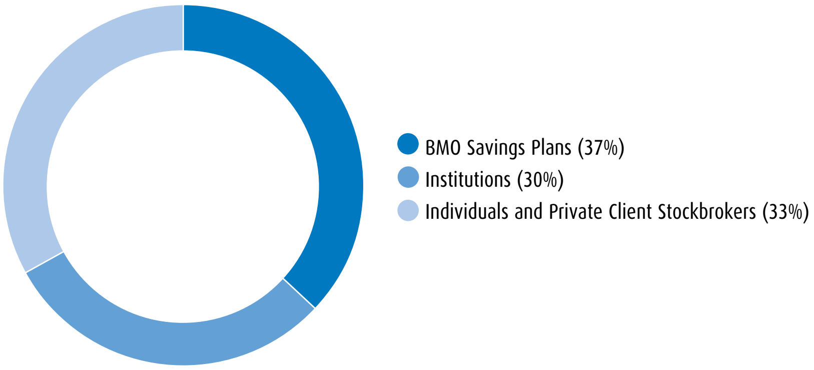
Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Equiniti Limited, under the signature of the registered holder

Data protection

The Company is committed to protecting and respecting the confidentiality, integrity and security of the personal data it holds. For information on the processing of personal data, please see the privacy policy on the Company's website at www.bmoukhighincome.com.

Profile of the Company's Ownership
% of Shares held at 31 March 2020



Warning to shareholders – Boiler Room Scams

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

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **www.fca.org.uk** to see if the person or firm contacting you is authorised by the Financial Conduct Authority ("**FCA**")
- Call the 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 **www.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 **www.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**.

Capital Gains Tax

The information below is to assist shareholders of the Company and the predecessor Company with capital gains tax.

The undernoted values as at 31 March 1982 are to assist shareholders and debenture stockholders, with regard to capital gains tax.

Ordinary Shares	25⁷/₈p
4% Debenture Stock	23¹/₄p
3.675% Preference Stock	34¹/₂p
71/4% Debenture Stock	55¹/₄p

The undernoted amounts are to assist shareholders and warrantholders with regard to capital gains tax, following the capital reorganisation in December 1994:

	First day of dealing value	Apportionment factor
Growth Shares	84¹/₄p	0.6844
Income Annuity Shares	36¹/₄p	0.2912
Warrants	15p	0.0244

The income annuity shares are not considered to be wasting assets for capital gains tax purposes.

The undernoted amounts are to assist shareholders and warrantholders with regard to capital gains tax, following the capital reorganisation in June 2001:

	First day of dealing value	Apportionment factor
Zero Dividend Preference Shares	35³/₄p	0.3488
Income Shares	53³/₄p	0.5244
Capital Shares	13p	0.1268

In respect of reo® UK Tracker Fund shares received, their base cost will represent the remaining base cost after the apportionment, if any, of the base cost to the other share classes.

The undernoted amounts are to assist shareholders with regard to capital gains tax, following the capital reorganisation in February 2007:

	First day of dealing value
A Shares†	95.875p
B Shares	95.875p

A Unit comprises of three Ordinary shares and one B share and capital gains tax calculations should be based on the separate Ordinary and B shareholdings. For a Unit holding, the base costs should be apportioned between the Ordinary shares and the B shares in the factors 0.75 and 0.25 respectively.

† At the Company's Annual General Meeting held on 29 June 2017 shareholders approved the proposal to change the name of the Company's A shares to Ordinary shares.

How to Invest

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

BMO Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2020/21 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*
You can invest up to £9,000 for the tax year 2020/21 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

BMO Child Trust Fund (CTF)*
If your child has a CTF you can invest up to £9,000 for the 2020/21 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

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

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

*The 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.

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

Annual account charge

ISA: £60+VAT
GIA: £40+VAT
JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

ISA: 0.2%
GIA/JIA/JISA: postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

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

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

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

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

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

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)
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Email: **investor.enquiries@bmogam.com**
By post: BMO Asset Management Limited
PO Box 11114
Chelmsford
CM99 2DG

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BMO

BMO Asset Management Limited

0345 600 3030, 9.00am - 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.

Historic Record

Assets

at 31 March

£'000s	2008†	2009	2010	2011	2012	2013	2014
Total assets less current liabilities	149,468	112,974	142,685	144,369	143,158	139,498	144,552
Bank loan at fair value*	34,213	36,888	36,642	35,509	34,245	18,186	17,692
Net assets, debt at fair value	115,255	76,086	106,043	108,860	108,913	121,312	126,860

£'000s	2015	2016	2017	2018	2019	2020
Total assets less current liabilities	144,886	134,528	149,649	129,825	127,605	97,021
Bank loan at fair value*	18,103	18,156	18,078	7,500	7,500	7,500
Net assets, debt at fair value	126,783	116,372	131,571	122,325	120,105	89,521

* includes interest rate swap, where applicable

Net Asset Value (NAV)*

at 31 March

	2008†	2009	2010	2011	2012	2013	2014
NAV per A/Ordinary share and per B share	89.6p	60.5p	83.1p	85.6p	85.9p	97.9p	102.8p
NAV High	103.8p	95.4p	83.4p	87.1p	88.7p	98.5p	105.8p
NAV Low	84.7p	58.5p	59.5p	72.3p	74.5p	78.9p	93.0p
NAV total return on 100p – 5 years							
NAV total return on 100p – since launch							

	2015	2016	2017	2018	2019	2020
NAV per A/Ordinary share and per B share	103.6p	96.3p	111.1p	103.7p	102.4p	76.7p
NAV High	107.5p	107.3p	112.3p	116.3p	115.3p	111.8p
NAV Low	95.0p	87.3p	92.6p	101.1p	91.1p	66.3p
NAV total return on 100p – 5 years					124.8p	93.2p
NAV total return on 100p – since launch					195.6p	153.7p

* includes debt at fair value

Share Price – A/Ordinary Shares

at 31 March

	2008†	2009	2010	2011	2012	2013	2014
Middle market price per share	83.0p	59.5p	80.0p	82.0p	82.0p	93.5p	95.0p
Premium/(discount) to NAV %	(7.4)%	(1.7)%	(3.7)%	(4.2)%	(4.5)%	(4.5)%	(7.6)%
Share price High	98.5p	86.7p	82.0p	85.5p	83.5p	93.5p	97.5p
Share price Low	82.0p	58.0p	59.0p	74.0p	70.5p	76.5p	90.0p
Share price total return on 100p – 5 years							
Share price total return on 100p – since launch							

	2015	2016	2017	2018	2019	2020
Middle market price per share	100.8p	89.8p	104.0p	96.5p	95.0p	69.5p
Premium/(discount) to NAV %	(2.7)%	(6.7)%	(6.4)%	(7.0)%	(7.2)%	(9.3)%
Share price High	101.0p	100.0p	104.5p	108.0p	106.0p	102.0p
Share price Low	87.5p	84.0p	87.5p	96.0p	86.3p	59.5p
Share price total return on 100p – 5 years					127.7p	88.7p
Share price total return on 100p – since launch					183.4p	141.6p

Share Price – B Shares

at 31 March

	2008†	2009	2010	2011	2012	2013	2014
Middle market price per share	83.0p	59.5p	89.5p	91.5p	86.5p	94.5p	102.3p
Premium/(discount) to NAV %	(7.4)%	(1.6)%	7.7%	6.9%	0.7%	(3.5)%	(0.5)%
Share price High	98.5p	86.5p	89.5p	93.5p	91.5p	94.5p	103.5p
Share price Low	82.0p	58.0p	59.0p	77.0p	78.0p	79.0p	90.5p
Share price total return on 100p – 5 years							
Share price total return on 100p – since launch							

	2015	2016	2017	2018	2019	2020
Middle market price per share	100.8p	91.5p	104.3p	95.8p	95.0p	67.5p
Premium/(discount) to NAV %	(2.7)%	(5.0)%	(6.1)%	(7.7)%	(7.2)%	(11.9)%
Share price High	102.3p	102.0p	104.3p	107.0p	107.0p	102.5p
Share price Low	88.5p	84.5p	86.5p	95.8p	86.0p	58.0p
Share price total return on 100p – 5 years					118.3p	86.0p
Share price total return on 100p – since launch					180.9p	135.6p

Share Price – Units
at 31 March

	2008†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle market price per share	327.0p	237.0p	317.0p	328.0p	322.5p	369.0p	375.0p	402.5p	354.0p	409.5p	397.0p	373.0p	273.0p
Premium/(discount) to NAV %	(8.8)%	(2.0)%	(4.6)%	(4.2)%	(6.2)%	(5.7)%	(8.8)%	(2.9)%	(8.1)%	(7.9)%	(4.3)%	(8.9)%	(11.0)%
Share price High	393.5p	337.5p	317.0p	337.0p	334.5p	369.0p	375.0p	402.5p	400.5p	409.5p	425.0p	418.0p	403.0p
Share price Low	327.0p	233.0p	236.0p	317.0p	300.0p	300.0p	358.0p	349.5p	335.0p	336.5p	397.0p	335.0p	234.0p
Share price total return on 100p – 5 years												127.3p	87.3p
Share price total return on 100p – since launch												181.3p	140.2p

Revenue
For the year ended 31 March

	2008†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Available for A/Ordinary shares – £'000s	6,255	5,154	4,811	4,906	4,704	4,391	4,598	4,848	4,571	4,585	4,764	4,451	4,053
Revenue earnings per share	4.68p	4.07p	3.79p	3.85p	3.70p	3.52p	3.73p	3.95p	3.74p	3.82p	4.03p	3.77p	3.46p
Dividends per A/Ordinary share	5.35p	5.35p	5.35p	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p
Capital repayments per B share	5.35p	5.35p	5.35p	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p

Performance
(rebased at 100 at 1 March 2007)

	2008†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per A/Ordinary share, B share and Unit	93.1	62.8	86.3	88.9	89.2	101.7	106.8	107.6	100.0	115.4	107.7	106.4	79.6
Mid Market price per A/Ordinary share	84.3	60.5	81.3	83.3	83.3	95.0	96.5	102.4	91.3	105.7	98.1	96.5	70.6
Mid Market price per B share	84.3	60.5	91.0	93.0	87.9	96.0	104.0	102.4	93.0	106.0	97.4	96.5	68.6
Mid Market price per Unit	83.1	60.2	80.5	83.3	81.9	93.8	95.3	102.3	89.9	104.0	100.9	94.8	69.4
Dividends per A/Ordinary share	100.0	100.0	100.0	80.0	80.0	80.0	81.7	83.7	86.0	88.2	91.2	94.2	97.4
Capital repayments per B share	100.0	100.0	100.0	80.0	80.0	80.0	81.7	83.7	86.0	88.2	91.2	94.2	97.4

Ongoing Charges
For the year ended 31 March

	2008†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expressed as a percentage of average net assets													
– excluding performance fees	1.17%	1.13%	1.25%	1.15%	1.14%	1.15%	1.06%	1.05%	1.06%	1.11%	0.91%	0.98%	0.96%
– including performance fees	1.17%	1.13%	1.25%	1.15%	1.14%	1.15%	1.51%	n/a	n/a	n/a	n/a	n/a	n/a

Gearing
at 31 March

	2008†	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net gearing	3.6%	15.2%	24.6%	25.4%	20.1%	10.1%	10.0%	7.9%	9.7%	3.5%	4.4%	4.3%	3.4%

† Performance figures shown for 2008 are for the 13 month period from launch on 1 March 2007 to 31 March 2008.

Alternative Performance Measures ("APMs")

The Company uses the following Alternative Performance Measures ("APMs"):

Discount/Premium – the share price of an Investment Trust 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 underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers of shares than buyers. Shares trading at a price above NAV per share are deemed to be at a premium.

		At 31 March 2020			At 31 March 2019		
		Ordinary shares	**B shares**	**Units**	Ordinary shares	B shares	Units
Net asset value per share	(a)	**76.66p**	**76.66p**	**306.64p**	102.39p	102.39p	409.56p
Share price	(b)	**69.5p**	**67.5p**	**273.0p**	95.0p	95.0p	373.0p
(Discount) (c=(b-a)/(a))	(c)	**-9.3%**	**-11.9%**	**-11.0%**	-7.2%	-7.2%	-8.9%

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

Ongoing charges calculation

	Page	**31 March 2020 £'000**	31 March 2019 £'000
Total expenditure	(59)	**1,223**	1,262
Less credit facility commitment fee	(68)	**(41)**	(42)
Less non-recurring expense (with respect to Director search costs)		**(24)**	(12)
Total	(a)	**1,158**	1,208
Average daily net assets	(b)	**120,552**	122,862
Ongoing charges (c = a/b)	(c)	**0.96%**	0.98%

Gearing – represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders funds. If the amount calculated is negative, this is a 'net cash' position and no gearing.

		Page	**31 March 2020 £'000**	31 March 2019 £'000
Investments held at fair value through profit or loss	(a)	(60)	**92,587**	125,259
Net assets	(b)	(60)	**89,521**	120,105
Gearing (c = (a/b) - 1)%	(c)		**3.4%**	4.3%

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 assets, respectively, on the date on which the shares were quoted ex-dividend.

The effect of reinvesting these dividends on the respective ex-dividend dates and the share price total returns and NAV total returns are shown below.

	31 March 2020		31 March 2019	
	Ordinary shares/ B shares	Units	Ordinary shares/ B shares	Units
NAV per share at start of financial year	102.39p	409.56p	103.75p	415.00p
NAV per share at end of financial year	76.66p	306.64p	102.39p	409.56p
Change in the year	-25.1%	-25.1%	-1.3%	-1.3%
Impact of dividend reinvestments†	3.7%	3.7%	4.8%	4.8%
NAV total return for the year	-21.4%	-21.4%	3.5%	3.5%

† During the year to 31 March 2020 dividends/capital repayments totalling 5.16p (Ordinary shares/B shares) and 20.64p (units) went ex dividend. During the year to 31 March 2019 the equivalent figures were 5.0p (Ordinary shares/B shares) and 20.0p (units).

	31 March 2020			31 March 2019		
	Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Share price per share at start of financial year	95.0p	95.0p	373.0p	96.5p	95.8p	397.0p
Share price per share at end of financial year	69.5p	67.5p	273.0p	95.0p	95.0p	373.0p
Change in the year	-26.8%	-28.9%	-26.8%	-1.6%	-0.8%	-6.0%
Impact of dividend reinvestment†	4.0%	3.9%	4.1%	5.3%	5.3%	5.0%
Share price total return for the year	-22.8%	-25.0%	-22.7%	3.7%	4.5%	-1.0%

† During the year to 31 March 2020 dividends/capital repayments totalling 5.16p (Ordinary shares/B shares) and 20.64p (units) went ex dividend. During the year to 31 March 2019 the equivalent figures were 5.0p (Ordinary shares/B shares) and 20.0p (units).

Yield – The total annual dividend/capital repayment expressed as a percentage of the year end share price.

		31 March 2020			31 March 2019		
		Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Annual dividend/capital repayment	(a)	5.21p	5.21p	20.84p	5.04p	5.04p	20.16p
Share price	(b)	69.5p	67.5p	273.0p	95.0p	95.0p	373.0p
Yield = (c=a/b)	(c)	7.5%	7.7%	7.6%	5.3%	5.3%	5.4%

Glossary of Terms

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

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

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive required that all investment vehicles in the European Union, including Investment Trusts, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of an Investment Trust, remain fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

Ordinary Shares – a security issued by the Company. The net asset value attributable to each Ordinary share is equal to the Net Asset Value of the Company divided by the total number of Ordinary shares and B shares in issue. Therefore the net asset value attributable to each of the Ordinary shares and B shares is the same. The Ordinary shares are entitled to dividends paid by the Company.

Benchmark – from 5 July 2018 the FTSE All-Share Index is the benchmark against which the increase or decrease in the Company's net asset value is measured. This index represents the performance of all eligible companies listed on the London Stock Exchange's main market, which pass screening for size and liquidity. This index captures 98% of the UK's market capitalisation. Prior to that the benchmark index was the FTSE All-Share Capped 5% Index. This Index averages the performance of 98% of the market value of all eligible companies listed on London Stock Exchange's main market and gives an indication of how this market has performed in any period. Constituents of the Index are capped at 5% of the total index quarterly to avoid over-concentration in any one stock. As the investments within these indices are not identical to those of the Company, the indices do not take account of operating costs and the Company's strategy does not include replicating (tracking) these indices, there is likely to be some level of divergence between the performance of the Company and the Index.

B Shares – a security issued by the Company. The net asset value attributable to each B share is equal to the Net Asset Value of the Company divided by the total number of Ordinary shares and B shares in issue. Therefore the net asset value attributable to each of the Ordinary shares and B shares is the same. The B shares are entitled to capital repayments paid by the Company. These capital repayments will be paid at the same time as, and in an amount equal to, each dividend paid on the Ordinary shares.

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 the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

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 – 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. The Company's Custodian is JPMorgan Chase Bank.

Depositary – under AIFMD rules applying from July 2014, 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. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's 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. The Company's Depositary is JPMorgan Europe Limited.

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.

Dividend Dates – reference is made in announcements of dividends to three dates. The "ex-dividend" date is the date up to which the shareholder needs to hold the shares in order to be entitled to receive the next dividend. As it takes time for a stock purchase to be recorded on the register, dividends are actually paid to the holders of shares on the share register on the "record" date. If a share transfer prior to the ex-dividend date is not recorded on the register before the record date, the selling party will need to pass on the benefit or dividend to the buying party. The "ex-dividend" date is currently the business day prior to the record date. The "payment" date is the date that dividends are credited to shareholders' bank accounts. This may be several weeks or even months after the record date.

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

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 shareholders in their entitlement to capital and/or income. They include: 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.

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 provided the Company's assets remaining after payment of the dividend exceed 150% of the liabilities. An Investment Company is defined as investing its funds in shares, land or other assets with the aim of spreading investment risk.

Investment Trust taxation status (Section 1158) – UK Corporation Tax law allows an Investment Company (referred to in Tax law as an Investment Trust) to be exempted from tax on its profits realised on investment transactions, provided it complies with certain rules. These are similar to Section 833 Company law rules but further require that the Company must be listed on a regulated stock exchange and that it cannot retain more than 15% of income received (set out in note 9 to the financial statements). The Report of the Directors contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

Manager – BMO Investment Business Limited, a part of BMO Financial Group. The responsibilities and remuneration of the Manager are set out in the Purpose, Strategy and Business Model, Report of the Directors and note 4 to the financial statements.

Market capitalisation – the stock market quoted price of the Company's shares, multiplied by the number of shares in issue. If the Company's shares trade at a discount to NAV, the market capitalisation will be lower than the Net asset value.

Net asset value (NAV) – the assets less the liabilities of the Company, as set out on the Statement of Financial Position, all valued in accordance with the Company's Accounting Policies (see note 1 to the financial statements) and International Financial Reporting Standards. The net assets correspond to Equity Shareholders' Funds, which comprise the share capital account, share premium, capital redemption reserve, buy back reserve, special capital reserve and capital and revenue reserves.

Net asset value (NAV), Debt at par – the Company's bank loan is valued in the Accounts at par (the actual amount borrowed) and this NAV including this number is referred to as "NAV, Debt at par".

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

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

SORP – Statement of Recommended Practice. Where consistent with the requirements of International Financial Reporting Standards, the financial statements of the Company are drawn up in accordance with the Investment Trust SORP, issued by the AIC, as described in note 1 to the financial statements.

Units – a way of holding and trading in the Ordinary shares and B shares issued by the Company. Each unit consists of three Ordinary shares and one B share.

Corporate Information

Directors
J M Evans (Chairman)
H M Galbraith (nee Driver)
J Le Blan
S J Mitchell
A K Watkins
J P Williams

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BMO UK High Income Trust PLC

Annual Report and Financial Statements
31 March 2020

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