

BMO Capital and Income Investment Trust PLC

Report and Accounts 2019



Financial Calendar

Fourth interim dividend for 2019	30 December 2019
Annual General Meeting	11 February 2020
First interim dividend for 2020	March 2020
Interim results for 2020 announced	May 2020
Second interim dividend for 2020	June 2020
Third interim dividend for 2020	September 2020
Final results for 2020 announced	December 2020
Fourth interim dividend for 2020	December 2020

Forward-looking statements

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

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

Company Overview

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

- Our well-diversified portfolio has outperformed its benchmark over the short, medium and long-term under Julian Cane, our Fund Manager for over 20 years.
- A recognised “AIC Dividend Hero”, our dividend has increased every year for the last 26 years and grown at more than twice the rate of inflation.
- Investor demand remains strong and the Company continues to grow through regular new share issues.
- Our Ongoing Charges of only 0.58% represents very good value for Shareholders.

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

Visit our website at [bmocapitalandincome.com](https://www.bmocapitalandincome.com)



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

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

Financial Highlights

3.1%

Share price total return*

The share price ended the year at 325.0p and over five years the total return has been 51.1%, the equivalent of 8.6% compound per year.

5.3%

Net Asset Value per share total return*

The Net Asset Value per share was 329.0 pence. The total return was higher than the FTSE All-Share Index (our "Benchmark"), which returned 2.7%. Over five years the 56.9% return comfortably outperformed the Benchmark return of 38.9%.

11.40 pence

Ordinary dividends - 26th consecutive annual increase

The dividends for the year are fully covered by earnings and represent a 4.1% increase, ahead of inflation of 1.8%.

(1.2)%

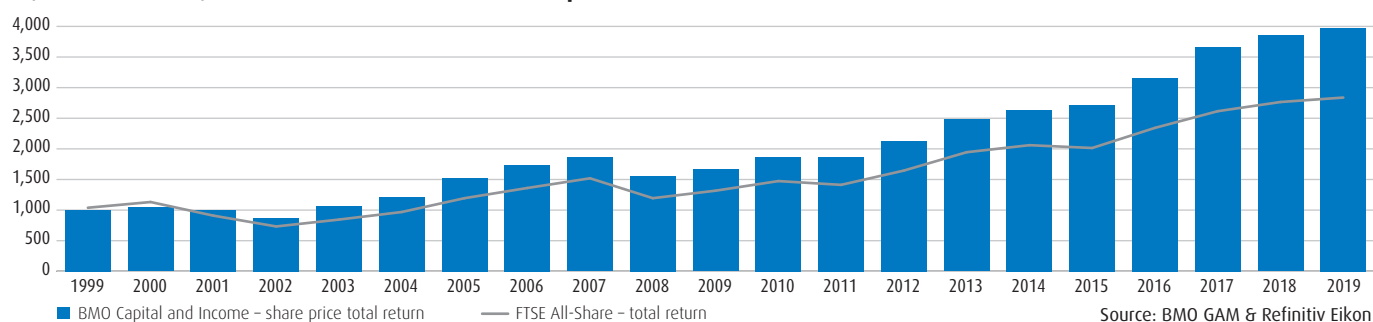
Shares ended the year at a discount* of 1.2%

The shares traded at an average premium to NAV of 0.2% over the year.

The longer term rewards

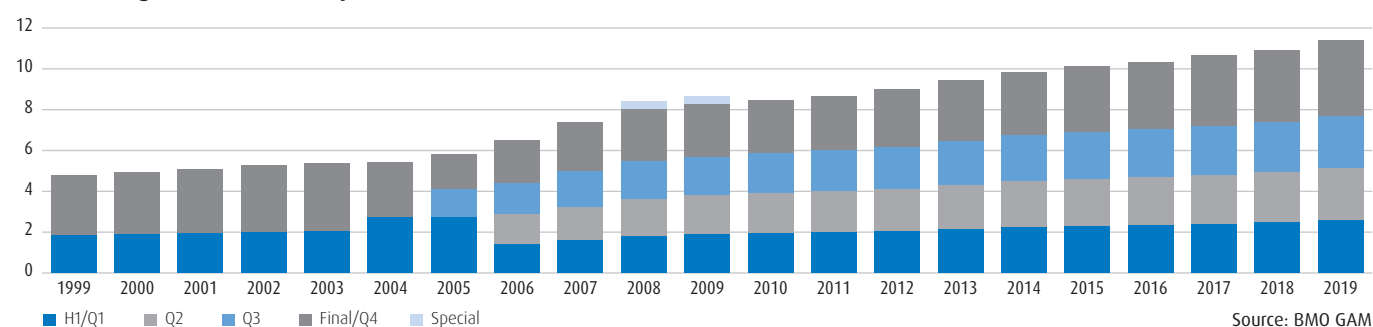
In the last twenty years BMO Capital and Income Investment Trust PLC has turned a £1,000 investment, with dividends reinvested (and net of expenses), into £3,976 compared with £2,840 from its Benchmark, the FTSE All-Share Index.

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



The ordinary dividend has increased every year since launch and over the last twenty years is up 137.5% or 4.4% compound per year, compared with inflation of 50.1% or 2.1% compound per year.

Dividend Progression for BMO Capital and Income Investment Trust



*See Alternative Performance Measures, pages 80 and 81 for explanation.

Chairman's Statement



"These returns mark another year of outperformance and crown an excellent run chalked up in recent years. We are delighted to have beaten our Benchmark over 1, 3, 5, 10 and 20 years."

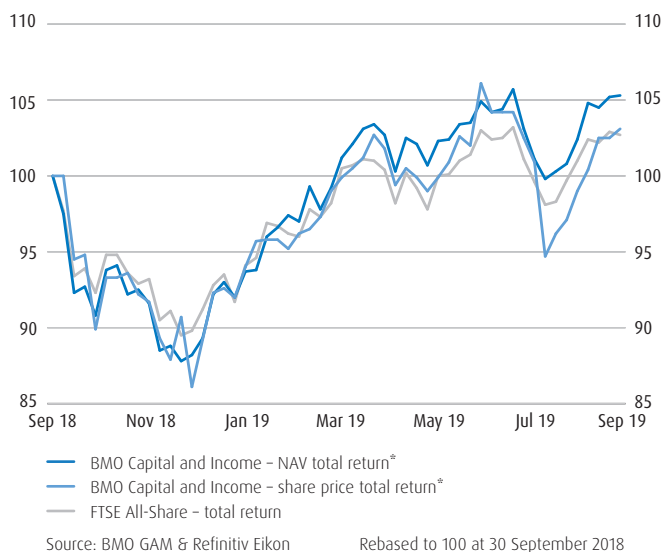
Steven Bates, Chairman

Dear Shareholder,

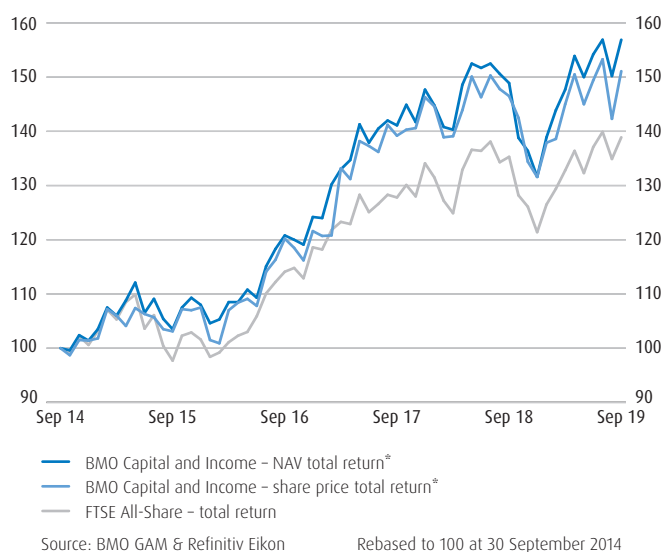
Writing this statement a year ago, markets were suffering a bout of the jitters that the global economy was too strong and that interest rates were on an upward trajectory. The old aphorism that markets always know what is what turned out to be wrong though. A year on, and the worry has flipped with concern now that the global economy is too weak, and this has triggered a new round of central bank easing of monetary policies: interest rates are falling in all major economies, and an unprecedented percentage of government debt trades at negative interest rates. This is very far from normal.

Because of the monetary conditions, the prop that has supported equities since the Great Financial Crisis is still intact. One of the criticisms of policymakers has been that providing bucketloads of liquidity (financial jargon for low interest rates) has not led to a stronger economy or inflation, as theory suggested, but instead to higher asset prices in both bond and equity markets. This is where the inflation in our system shows up. As an equity investor in this Company, of course, you have been on the right side of this outcome.

Outperformance over one year



Outperformance over five years



*See Alternative Performance Measures on page 81

At the start of the year, investors worried about the whole panoply of geopolitical uncertainty and about the longevity of the economic cycle. A year on, geopolitical uncertainty has not improved and the cycle is a year older, yet neither has been enough to derail the equity market train.

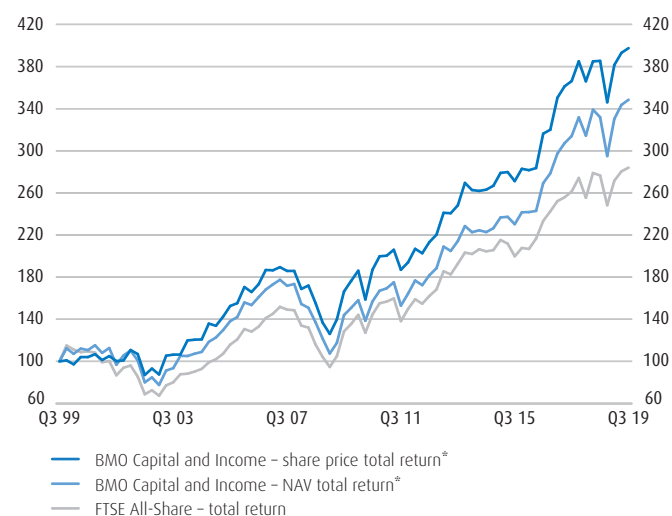
As I write, we are heading towards a general election and it is difficult to say much about the UK as political circumstances are so volatile. Basing an investment strategy on any particular outcome of our constitutional crisis is a counsel of madness. There is an investment approach which assumes that everything will 'muddle through', and that is still the most likely outcome: listed companies held in the portfolio are well managed, and not only dependent on the UK economy, but a more extreme result cannot be ruled out.

Performance

This year, the Net Asset Value ("NAV") per share on a total return basis was 5.3% while the share price total return was a little lower at 3.1% reflecting a move to a small discount. The FTSE All-Share Index, our "Benchmark", rose by 2.7% on the same basis. These returns mark another year of outperformance and crown an excellent run chalked up in recent years. I would point out that in the first half of our fiscal year, the NAV total return fell by 0.8%, so the second half has shown a good recovery. On a three year view, it was 29.9% compared to the Benchmark's 21.7% and over five years it was 56.9% against the Benchmark's 38.9%.

These are excellent numbers and one in the eye for believers in the passive approach to equity investing. These types usually argue that

Outperformance over twenty years



Source: BMO GAM & Refinitiv Eikon

Rebased to 100 at 30 September 1999

*See Alternative Performance Measures on page 81

these periods aren't long enough to prove anything. We are delighted to have beaten our Benchmark over 1, 3, 5, 10 and 20 years.

Your fund manager, Julian Cane, has been responsible for the management of the portfolio throughout this time. He may not be a self-publicist or appear in the gossip columns but results like these do not come out of thin air, and he deserves a lot of credit for having achieved them.

Liquidity

As a result of problems at some other investment management groups, investors and regulators have become concerned about a lack of liquidity in their investments. Our portfolio only holds listed equities and we are confident these are sufficiently liquid for any foreseeable situation.

Gearing & Attribution

During the year, our gearing averaged 3.6%. Initially, as markets fell, this had a cost to the return, but was a modest net contributor to return for the year as a whole. We have a loan facility of £30 million available, of which £20 million remained undrawn at the year end.

Income Account

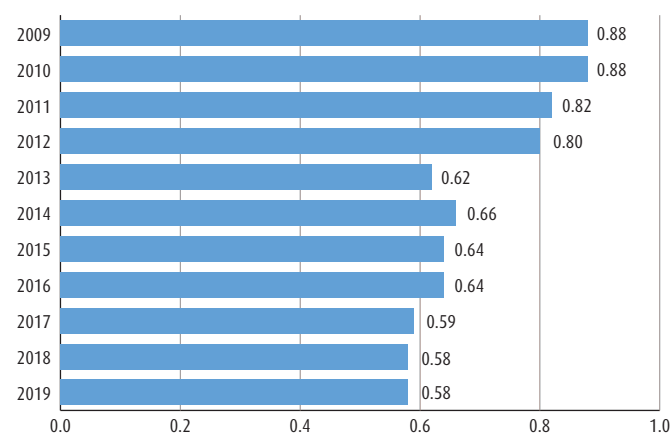
The revenue return for the year was 13.12 pence per share, up by 12.1% from last year. The revenue earned by the Company is obviously dependent on the mix of stocks in the portfolio and the quantum of special dividends which are revenue items – these dividends can sometimes be treated as returns of capital which do not appear in the income account. Over recent years, without compromising income, Julian has rebalanced the portfolio away from the traditional very highest income payers in the UK market, many of which have dividends which are static and could be under threat, towards lower yielding, faster growing holdings, where dividend growth is expected to be robust.

It is pleasing to be able to report, therefore, that we have maintained our record of increasing our dividend by more than the rate of inflation in the UK. So far this year, we have paid three interim dividends of 2.55 pence and are proposing to pay a fourth of 3.75 pence per share to bring the total for the year to 11.40 pence per share. This represents an increase of 4.1% over last year's payments. Inflation, as measured by the CPI, rose by 1.8% over the comparable period. I would note that we have revenue reserves available to release for dividend payments should that prove necessary, but the revenue account has been strong enough that we have not needed to do so. We expect this condition to persist.

Over the past five years, our dividend has risen by 3.0% annually, compared to an inflation rate of 1.6%.

This is the 26th consecutive year of increased dividend payments, which cements the Company's status as a 'Dividend Hero' as defined by our industry body, the Association of Investment Companies ("AIC").

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



*See Alternative Performance measures on page 81.

Source: BMO GAM

This year, the cost of running the Company as measured by the Ongoing Charge calculation was 0.58%, the same as last year. For context, this has fallen from 0.88% ten years ago to its current level, a decline of more than a third over the period. This reflects the fact that fixed costs are spread over a much larger asset base, but the Board of Directors (the “Board”) is also conscious of the variable costs of running the Company, and does its best to keep these under control. Overall, the Board believes that these costs are competitive with alternative actively managed products, but higher than most index trackers. I cannot resist repeating, though, that you have done considerably better with us than you would have in a passive product and that the costs represent excellent value as a result. The ‘N’ for ‘net’ in NAV is important in underlining that the returns quoted earlier are after all these costs have been deducted.

Premium/Discount

The shares traded at an average premium during the year of 0.2%. The range was quite wide, from a premium of 5.5% to a discount of 4.2%. At the 30 September, the shares closed at a discount of 1.2%. The trading conditions were in line with the historical experience, and the periods at which a premium held were longer than those when a discount was evident. This combination of circumstances allowed us to issue 1,725,000 shares during the year, at an average premium of 1.9%. This amounted to an additional capital contribution of £5.3 million and was equivalent to 1.7% of the initial share count. Issuing shares at a premium avoids diluting existing Shareholders and provides a larger capital base over which to allocate costs.

At the AGM in February, we will be asking for authority to issue further shares without pre-emption rights up to 10% of the Company’s shares in issue as at the date of this report. These will only be issued at a premium. The Board believes this resolution is in your interests and urges you to continue to support it.

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



**See Alternative Performance measures on page 80.

Source: BMO GAM

As I have mentioned in previous statements, there is no inherent law that a company like ours should trade at a premium. The fact that it does so is a function of its strong retail shareholder base and the very low interest rates available to savers. These two factors may not last forever and if a persistent discount does emerge, we will resume buying back shares under our discount control policy. In addition, by issuing shares at a small premium to NAV and offering to buy back at a discount, we effectively become a market maker in our own shares and are able to provide greater liquidity to Shareholders than may be available from traditional market makers. We do not think it is in Shareholders’ interest that the shares of this Company should become too detached from the underlying NAV.

Responsible investment

We recognise the growing importance of the application of the highest standards of environmental, social and governance practice in delivering sustainable long-term growth in capital and income. On pages 18 and 19 we explain our approach towards responsible investment and give some examples of our Manager’s engagement with the companies in which we invest.

Annual General Meeting (“AGM”)

The AGM of the Company will take place on 11 February 2020 in Exchange House at 11.30am. Julian Cane will be making a presentation on the investment scene as well as reviewing the year just past. All of the Directors will be present to answer any questions you may have.

Our independent auditors, PricewaterhouseCoopers LLP (“PwC” or the “auditors”), will be retiring from the role after the AGM after careful consideration of the rules on longevity of audit relationships. I thank them on behalf of the Board for their work during a long tenure. They will be replaced by BDO LLP, whose first audit will cover the financial year to 30 September 2020.

Directorate

I am delighted that Jonathan Cartwright joined the Board on 26 November as Chairman Designate bringing us a fresh perspective and a superb background to the role. Jonathan has great depth of knowledge, leadership and experience not only from his career in finance but also through senior board appointments. He will be standing for election by Shareholders at the AGM and I commend him to you with my very best wishes.

Sadly, he and I will overlap only briefly, as I will be retiring on 31 March 2020 after almost nine years at the wheel. During this period, the Company has done well in return terms, both absolutely and relatively, but that is down to your Fund Manager, Julian Cane. As is only right, the Board has been responsible for governance and oversight and has benefited from an excellent relationship with BMO Global Asset Management previously known as F&C Investments. I would like to thank Hugh Potter, our outstanding Company Secretary, for keeping us in line and Marrack Tonkin, BMO's Head of Investment Trusts, who is a beacon of common sense in what can be a treacherous sea. I would also like to thank my Board colleagues for their help and guidance in directing the Company as well as for being professional and companionable in their dedication towards always meeting your expectations as Shareholders. Finally, I would like to thank Julian for his quiet professionalism over the years. They don't seem to be making them like that any more. I have very much enjoyed my time as Chairman of your Company and know that it remains in good hands.

Outlook

Markets are still supported by low interest rates, which hide a multitude of sins. Until the tide goes out in the shape of higher interest rates, even poorly run companies are able to stay afloat. In some industries, though, even cheap money is not enough. Most obviously (but not only) the retail sector, is being severely disrupted by new distribution channels. Add to this the uncertainty about the future, which is depressing capital investment. It is likely that future productivity and growth rates will be damaged by this lack of spending and all this points to interest rates remaining low for an extended period. The thinking in central banks is that the global economy is not robust enough to withstand higher rates and there is too much debt to allow a significant slowdown or recession. Furthermore, inflation remains unnaturally subdued, and policies designed to reignite it have failed, most notably in Japan. This combination, perhaps surprisingly, is not especially negative for equity markets, but nor are we off to the races. The most likely trajectory is that markets will grind higher, generating modest but positive returns. In this environment, skilled stock selection is more important than ever, and in this case, I believe you are in safe hands.

Lastly, I would like to thank you for being Shareholders of this Company and I wish you all well for the future.

Steven Bates
Chairman
29 November 2019

Strategic Report

Our aim is to provide our Shareholders with long-term capital and income growth. Our strategy is to invest in companies, mainly in the FTSE All-Share Index, that have good long-term prospects with attractive returns on invested capital.

Investment and business strategy

We look to make good use of our corporate structure and the investment opportunities that lead to the delivery of our investment objective. With values embedded around the needs of retail investors for over 25 years, our investment strategy has produced outperformance and real rises in dividends over the longer term as reported on page 15. The investment philosophy and process are set out on pages 13 and 14. Our wider business strategy involves the promotion of the Company through all appropriate channels and aims to position us as a compelling investment choice, particularly for retail investors.

Business model

The Directors have a duty to promote the success of the Company. As an investment company with no employees, we believe that the optimum basis for doing this and achieving our objective is a strong working relationship with our appointed manager, BMO Investment Business Limited (the “**Manager**”). Within policies set and overseen by the Board, the Manager has been given overall responsibility for the management of the Company’s assets, asset allocation, gearing, stock and sector selection and risk. Engagement on environmental, social and governance matters is undertaken through the Manager’s sister company, BMO Asset Management Limited. These two companies (together “**BMO GAM**”) are owned by Bank of Montreal (“**BMO**”).

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

The Board remains responsible for decisions over corporate strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 26 and 27; setting limits on gearing and asset

allocation; monitoring investment performance; and setting and monitoring marketing budgets.

Environmental, Social and Governance (“ESG”) impact

Our ESG policies are set out on page 18 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of our activities is minimal as the Company has no employees, premises, physical assets or operations either as a producer or a provider of goods or services. Neither does it have customers. Its indirect impact occurs through the investments that it makes and this is mitigated through BMO GAM’s Responsible Investment Approach as explained on pages 18 and 19.

Manager evaluation

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

The process for the evaluation for the year under review and the basis on which the decision to reappoint the Manager for another year are set out on page 42. The management fee is based on a percentage of the Company’s assets under management.

Fund Manager and management of the assets

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

"Investment performance and responsible ownership are fundamental to delivering sustainable long-term growth in capital and income for our Shareholders"

Managing risks and opportunities

Like all businesses, investment opportunities do not come without risks and uncertainties and so the performance of the Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, the ancillary functions of administration, secretarial, accounting and marketing services are all carried out by the Manager. The Board receives reports on the investment portfolios; the wider portfolio structure; risks; compliance with borrowing covenants; income, dividend and expense forecasts; errors; internal control procedures; marketing; Shareholder and other stakeholder issues, including the Company's share price premium or discount to NAV; and accounting and regulatory updates.

Shareholders can assess the financial performance from the Key Performance Indicators that are set out on page 15 and, on page 16, can see what the Directors consider to be the Principal Risks that we face. The risk of not achieving the Company's objective, or of consistently underperforming the Benchmark or competitors, may arise from any or all of inappropriate asset allocation, poor market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to regularly monitoring the Manager's performance, their commitment and available resources and their systems and controls, the Directors also review the services provided by other principal suppliers. These include the Custodian and Depositary in their duties towards the safeguarding of the assets.

The principal policies that support our investment and business strategy are set out on page 26, whilst the Fund Manager's review of activity in the year can be found on page 10. In the light of the Company's strategy, investment processes and control environment (relating to both the oversight of the Company's service providers and the effectiveness of the risk mitigation activities), the Board has set out on page 17 its reasonable expectation that the Company will continue in operation and meet its liabilities over the coming five years.

Shareholder communication and marketing

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

The Company's activities and performance are reported through the publication of its financial statements but the vast majority of Shareholders and savings plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, we send instead a short notification with the key highlights of our half-yearly and annual results. Shareholders and savings plan investors can locate the full information on our website, bmocapitalandincome.com, if they so wish. Through BMO GAM, we also make sure the savings plan investors are encouraged to attend and vote at annual general meetings 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 where there is also a link to the daily publication of our NAV and our monthly factsheet.

BMO GAM also has in place a programme of visits designed to foster good relations with wealth managers in promoting the Company's investment proposition. These visits are reported regularly to the Board. Any contact with the Company's institutional Shareholders is also reported. The Chairman and Senior Independent Director are available to meet with major Shareholders, although no meetings were held in the year under review.

Fund Manager's Review



“Within the portfolio, we have put an emphasis on increasing our exposure to those companies with attractive and growing dividends.”

Julian Cane, Fund Manager

Review of Our Performance

This year, by chance our NAV total return (taking into account capital and income returns) of +5.3% was remarkably similar to the previous year at +5.5%. The general background of the UK stock market was slightly less supportive last year, giving a total return of +2.7% compared to +5.9% the previous year. Our returns are still attractive in the context of ultra-low interest rates and we have continued to grow the dividend ahead of the rate of inflation, but compared to the double digit gains we have made in some past years, the absolute gains have been more subdued.

It's not just interest rates that have been low as inflation has been below the Bank of England's 2% target meaning that less of our return has been eroded by inflation. When lower economic growth, both in the UK and generally internationally, is also thrown into the mix, then more modest stock market returns are not surprising. Looking at the balance of our returns between capital and income, the fact that more than half the total return has come from income is much in line with long run investment experience.

At the political level, there was no resolution of any the major issues – the USA has remained in dispute about trade tariffs with a number of countries and regions, but most significantly China, and of course, Brexit rumbles on. It feels as though most investors are now inured to these issues and have become used to the current level of uncertainty; this has at least not stopped the stock market from making some positive progress.

Review of the Portfolio:

It is noticeable the strongest share price performance in the portfolio came from Dunelm (+67%) a retailer, but also that two of the worst share price performances also came from other retailers (The Works -49% and Ted Baker -31%). The point being that although retail as

an industry is experiencing very difficult trading conditions, this is not universally negative. Arguably, we underestimated the difficulty of trading conditions, but Dunelm showed it is possible, with strong management and a sound strategy, to perform well.

It is also worth highlighting the extent to which the performance of some shares reversed from the previous year. In last year's annual report I noted the strong positive returns made by both Burford Capital and Xpediator (+59% and +136% respectively). This year unfortunately their performance has taken a sharp turn for the worse (-57% and -62% respectively). In the case of Xpediator the investment has been sold as we have revised our view on its valuation, but we have doubled our holding in Burford Capital. Burford was subject to a high-profile short selling attack by the investment firm Muddy Waters. We have looked very closely at all the allegations of impropriety and believe them to be exaggerated; we maintain confidence the company and industry remain attractive and have doubled the size of our stake at an average price well below our initial investment.

Our strongest contributor to returns last year was Intermediate Capital, with a total return of +38%. This is a long-standing investment for your Company and it was also the strongest contributor to returns over three years, over which period its total return has been 172%. The business was originally an investment company, investing mostly its own resources into very niche opportunities – primarily the level of a company's financing between equity and debt, hence 'Intermediate Capital'. It has made very attractive returns doing that and has increasingly evolved to become an investment manager for external funds. This is driving strong profit growth and should also increase the stability of the business; the share price has responded well.

Secure Income REIT was the second strongest contributor with a total return of +19% over one year and +66% over three years. It owns a

portfolio of highly attractive properties. These are not only truly integral to the business of the lessee (for example, Alton Towers) but have attractive rental growth characteristics. This marks them out as being very different to many other property companies owning office blocks or retail units that are almost indistinguishable one from another and certainly not in short supply.

Turnover within the portfolio has again been at low levels with total purchases of £35m compared to an average portfolio size of £342.1m. Our investment decisions are made with a long-term view which helps

us avoid some of the day to day noise of the stock market and the costs of excessive dealing.

Within the portfolio, we have put an emphasis on increasing our exposure to those companies with attractive and growing dividends. Many of the largest companies in the UK stock market have very high dividend yields, but these are static (at least in their reporting currencies). Although we have some exposure to some of these companies, the holdings are relatively small enabling us to invest elsewhere in companies which may have lower initial yields but are able to grow their dividends.

Largest 10 Investments for BMO Capital and Income

	Dividends per share paid ⁽¹⁾		
	Year to September 2019	Year to September 2018	Change
Diageo	68.57	65.30	+5.0%
Unilever	159.60	149.20	+7.0%
GlaxoSmithKline	80.00	80.00	-
Secure Income REIT	16.00	13.44	+19.0%
Beazley	11.90	11.30	+5.3%
Rio Tinto ^{(2) (4)}	392.00	307.94	+27.3%
Royal Dutch Shell ^{(2) (5)}	188.00	188.00	-
Intermediate Capital	45.00	30.00	+50.0%
Phoenix	46.80	45.17	+3.6%
AstraZeneca ⁽²⁾	280.00	280.00	-

Largest 10 Companies in FTSE All-Share Index

	Dividends per share paid ⁽¹⁾		
	Year to September 2019	Year to September 2018	Change
Royal Dutch Shell ^{(2) (5)}	188.00	188.00	-
HSBC ⁽²⁾	51.00	51.00	-
BP ⁽²⁾	41.00	41.00	-
AstraZeneca ⁽²⁾	280.00	280.00	-
GlaxoSmithKline	80.00	80.00	-
Diageo	68.57	65.30	+5.0%
British American Tobacco ⁽⁶⁾	199.10	141.20	+41.0%
Unilever ⁽³⁾	159.60	149.20	+7.0%
Rio Tinto ⁽⁴⁾	392.00	307.94	+27.3%
Vodafone ⁽³⁾	9.00	15.07	-40.3%

(1) Dividends and % change are shown in the underlying currency declared by the company. GBP unless otherwise noted below.

(2) Dividends declared in US cents.

(3) Dividends declared in Euro cents.

(4) Rio Tinto - The year to September 2019 includes 1 special Dividend.

(5) Royal Dutch Shell A shares and B shares are amalgamated to show a single position.

(6) British American Tobacco - Due to a change in the Dividend payment calendar in the year to September 2018, figures include only 3 quarterly Dividends.

We reduced gearing in the portfolio during the year with the amount borrowed being reduced from £20m to £10m. With so many uncertainties at a political and economic level and with the stock market having performed well for a long period without a major set-back, it seemed sensible to be a little more cautious than previously and to make sure we have plenty of resources in reserve if even more attractive opportunities arrive.

Valuation of the Stock Market

We assess valuations on a stock by stock basis so in some senses are not overly concerned about the valuation of the overall stock market. This is particularly true as the main UK indices are size-weighted and hence have a very large weighting towards the very largest companies such as Royal Dutch Shell, BP, HSBC and GlaxoSmithKline. With that as a caveat, it does look, using the most straightforward valuation metrics of Price/Earnings and Dividend Yield, that the market is not expensively valued.

The charts on this page show that compared to their respective twenty year averages the Price/Earnings multiple of the FTSE All-Share Index was just a little under its average and the Dividend Yield of the Index was well above. Superficially, these suggest the market is either averagely valued or cheap relative to its own history.

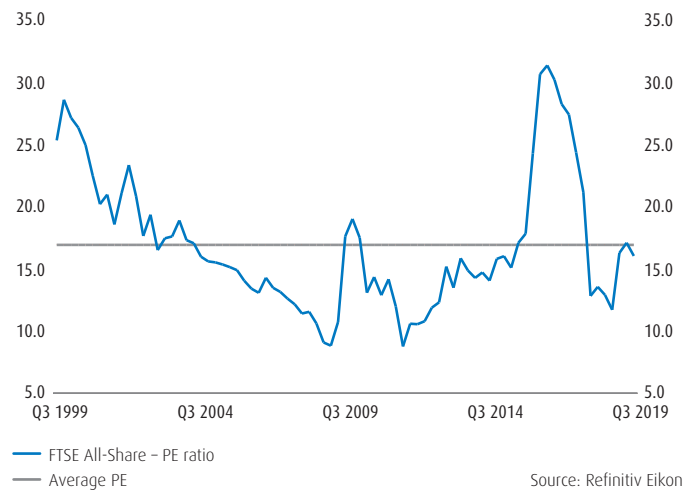
All other things being equal, it would be reasonable to expect low interest rates would have pushed up the valuations of equities – as cash and bonds have become lower yielding and less attractive, this would normally make equities look more attractive and hence drive their prices up and yields down. That this has not happened is shown clearly in the final chart as over the last twenty years shares have gone from being the lowest yielding of these three asset types, to the highest yielding.

Outlook

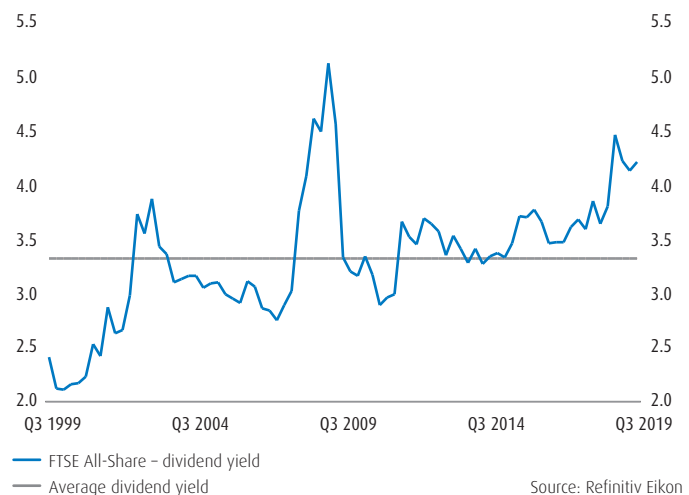
The economic and political outlook may at long last gain some clarity if we see resolution on some key issues. In the US, the Presidential cycle will surely encourage President Trump to end some of the tariff discussions, thereby generating some positive momentum, while in the UK, the forthcoming General Election may well break the Brexit stalemate. The current environment of low growth and low inflation is proving difficult for some companies with the result that the UK stock market is experiencing a substantial number of profit warnings. The political uncertainty and difficult economic environment have combined to deter many investors from the equity markets and this partly accounts for the rating of the market as a whole. We believe that through investing in good quality companies on attractive valuations that we should be able to continue to generate attractive returns for our investors.

Julian Cane
Fund Manager
29 November 2019

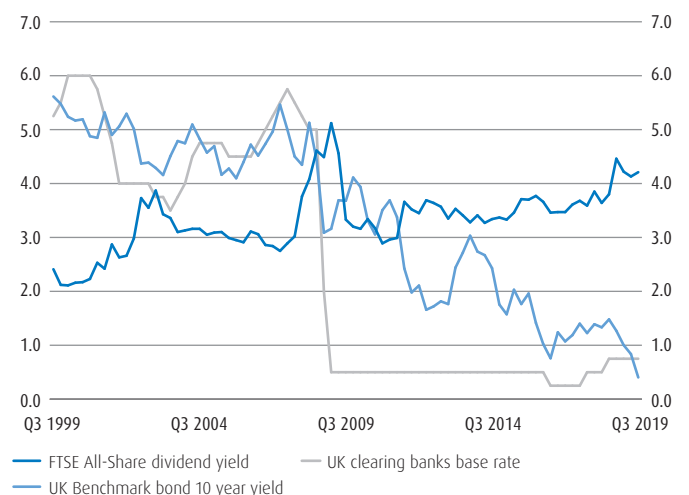
FTSE All-Share price/earnings multiple



FTSE All-Share Dividend Yield



Yields from investment assets



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 a business's intrinsic value.

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

The Investment Process focuses on Three Aspects for Each Company



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.

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 are 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. Our valuation approach focuses on discounted cash flows, but is pragmatic enough to realise this does not work for all companies in all sectors so other valuation methods are also used. Before buying, we ascertain 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.

Julian Cane
Fund Manager
29 November 2019

Implementation of the Investment Process



Key Performance Indicators

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

Total return performance				
	1 Year %	3 Years %	5 Years %	
NAV per share Total Return ⁽¹⁾	5.3	29.9	56.9	This is used to measure the performance of the Manager in terms of capital and income growth and can be compared to the return of the Benchmark index.
Benchmark index: FTSE All-Share	2.7	21.7	38.9	
Share Price Total Return ⁽¹⁾	3.1	25.7	51.1	This is used to measure the return to Shareholders in terms of the capital growth and the dividends they have received and can be compared to the return of the Benchmark index.

Source: BMO GAM and Refinitiv Eikon

Compound annual dividend growth				
	1 Year %	3 Years %	5 Years %	
Company's dividend	4.1	3.4	3.0	This shows the Company's dividend growth which can be compared to the changes in the UK Consumer Price Index ("CPI").
Inflation (CPI)	1.8	2.4	1.6	

Source: BMO GAM and Refinitiv Eikon

Share price discount/premium to NAV per share				
	As at 30 Sep 2019 %	As at 30 Sep 2018 %	As at 30 Sep 2017 %	
(Discount)/Premium ⁽¹⁾	(1.2)	0.9	1.2	This is the difference between the share price and the NAV per share. It is an indicator of excess supply over demand for the Company's shares in the case of a discount and the excess demand over supply in the case of a premium.

Source: BMO GAM

Ongoing charges as at 30 September (as a percentage of average net assets)				
	2019 %	2018 %	2017 %	
Ongoing charges ⁽¹⁾	0.58	0.58	0.59	This is a measure of the cost of running the Company as a percentage of the average net assets. It can give an indication of cost efficiency over time and be compared to the Ongoing Charges of competitor investment vehicles.

Source: BMO GAM




(1) See Alternative Performance Measures on page 81 for explanation

Principal Risks and Future Prospects

The Board has carried out a comprehensive, robust assessment of the principal risks as well as the uncertainties that could threaten the Company's success. The consequences for its business model, liquidity, future prospects and viability form an integral part of this assessment.

The principal risks, both perceived and observed, together with their mitigations are set out in the table below. The Board's processes for monitoring them and identifying emerging risks are set out on pages 39 to 41 and in note 22 to the accounts. These are consistent with those reported in the prior year.

The principal risks identified as most relevant to the assessment of the Company's future prospects and viability were those relating to potential investment portfolio underperformance and its effect on the share price; discount movement; dividends; and threats to security over the Company's assets. Our risk evaluation forms an inherent part of our strategy determination described on page 8.

Principal Risks	Mitigation
<p>Unfavourable markets or asset allocation, sector and stock selection and use of gearing and derivatives are inappropriate giving rise to investment underperformance as well as impacting capacity to pay dividends.</p> <p> Unchanged throughout the year under review</p>	<p>The portfolio of quoted securities is diversified and the Company's structure enables it to take a long-term view. Investment policy, performance, revenue and gearing are reviewed at each Board meeting. BMO GAM's Performance and Risk Oversight team provides independent oversight on investment risk management. The Board regularly considers operating costs along with underlying dividend income and the implications for the dividend payment capacity of the Company.</p>
<p>Errors, fraud or control failures at service providers or loss of data through increasing cyber threats or business continuity failure could damage reputation or investors' interests or result in losses.</p> <p> Unchanged throughout the year under review</p>	<p>The Board receives regular control reports from BMO GAM covering risk and compliance including oversight of third party service providers. The Board has access to their Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.</p>
<p>Inappropriate business or marketing strategy particularly in relation to investor needs or sentiment giving rise to a share price discount to NAV per share.</p> <p> Unchanged throughout the year under review</p>	<p>A Shareholder satisfaction survey is conducted every five years ahead of a vote on whether the Company should continue. The Board holds a separate meeting to consider strategy and associated opportunities and threats and the performance and appointment of BMO GAM is also reviewed annually in terms of their delivery of sustainable long-term growth in capital and income. This includes the growing recognition of the importance of further development and application of the highest standards of ESG practice by the Manager. Share buybacks can be employed to help moderate extensive discount volatility, while share issues can be made when the shares are trading at a premium.</p>

Through a series of connected stress tests ranging from moderate to extreme scenarios and based on historical information, but forward looking over the five years commencing 1 October 2019, the Board assessed the risks of :

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

The Board also took into consideration the perceived viability of its principal service providers, potential effects of anticipated regulatory changes and the potential threat from competition. The Board's conclusions are set out under the Five-Year Horizon opposite. Five-year rolling periods have been chosen over the previously reported three-year periods to be consistent with the length of time between the regular Shareholder vote on the continuation of the Company, and also because the shares may not be suitable for investors intending to hold them for less than five years.

Actions taken on Principal Risks in the year

The Company extended its record of investment outperformance and dividend growth with gearing having made a modest net contribution to returns. The dividend was again fully covered and over £15.1m was held in Revenue Reserve.

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

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

The Board reappointed BMO GAM, which has continued to deliver on the Company's objective and operates within a responsible investment culture under a corporate commitment to four key Sustainability Principles: Social Change, Financial Resilience, Community building and Environmental Impact.

The Board also reviewed the appointment of the Company's broker through which it receives market intelligence and helps inform strategic decision-making. A total of 1,725,000 shares were issued to satisfy Shareholder demand and help contain the premium. No buybacks were necessary.

Five-Year Horizon

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

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, UK publicly listed securities and which restricts the level of borrowings.
- Subject to the outcome of five-yearly Shareholder continuation votes, the Company's business model and strategy are not time limited.
- The Company is inherently structured to generate long-term returns, with a five-year period viewed as a reasonable time frame for measuring and assessing medium to longer term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure, including the ability to use short-term borrowings by way of loans and overdrafts and the capacity to secure additional finance well in excess of five years.
- There is robust monitoring of the headroom under the Company's bank borrowing covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all of its assets which are safeguarded as described under "Safe custody of assets" and "Depositary" on pages 31 and 32.

Environmental, Social and Governance policies

In setting the Company's ESG policies, the Board has considered the requirements of section 172 of the Companies Act 2006 (the "**Act**") in promoting the success of the Company for the benefit of Shareholders.

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 via 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 AIC code of Corporate Governance (the "**AIC Code**") published in 2016 and have had regard to the latest version published in February 2019, fully applicable for financial years beginning on or after 1 January 2019.

Responsible ownership

We support BMO GAM in its belief that good governance and sustainability practices create 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 a fundamental part of BMO GAM's approach towards responsible investment.

Voting on portfolio investments

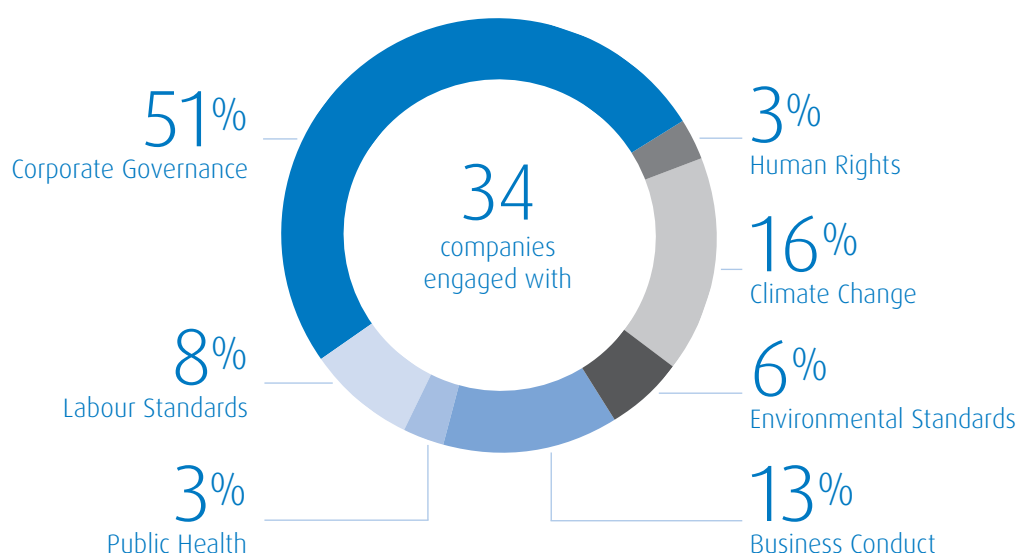
BMO GAM's Corporate Governance Guidelines set out expectations of the boards of investee companies in terms of good corporate governance. We are informed by our Manager of any sensitive voting issues involving the Company's investments. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all listed company meetings worldwide where practicable in accordance with BMO GAM's own corporate governance policies.

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 FRC published its revised UK Stewardship Code. The revised code raises the bar on stewardship, expecting institutions who wish to be signatories to apply its principles and report comprehensively on their stewardship activities and outcomes of these activities. The FRC will review reporting against the revised code after the end of calendar year 2020. Following this review in 2021, the FRC will publish a list of the institutions which have met the requirements of the Code and can become its signatories. BMO GAM is a strong supporter of the revised UK Stewardship Code and is committed to reporting against its principles.

Engagement

In the year under review, BMO GAM engaged with 34 investee companies held by the Company on a range of ESG topics as illustrated below:



Examples of engagement in practice		
Company	Topic	Engagement
Royal Dutch Shell	Climate Change	BMO GAM has engaged with Shell on the issue of climate change individually and in collaboration with other investors over many years. BMO GAM has been encouraged by Shell's leadership among oil majors in outlining its ambition to reduce the net carbon footprint of its energy products by half by 2050. The announcement of further improvement in its accountability in that regard by committing to shorter term targets has been welcomed. Shell acknowledges that this, and the governance around it, is a work-in-progress and therefore BMO GAM is continuing its engagement on the issue and towards the development of targets to be implemented in their remuneration policy.
Rio Tinto	Labour Standards	BMO GAM is an investor signatory to the Workforce Disclosure Initiative which aims at enhancing relevant and material workforce related disclosure. As part of this, BMO GAM has engaged with Rio Tinto on its expectations for transparency of workforce management practices across direct operations and within the supply chain. In a positive development, Rio Tinto has published the contracts and licensing agreements that govern its biggest mining projects worldwide. BMO GAM expects this to contribute to the responsible management of natural resources and help prevent corruption.
CRH	Executive remuneration	Director remuneration levels continue to be a significant focus for investors. Ahead of CRH's AGM, BMO GAM discussed the fixed pay level for the CEO and the level of pension contribution received. BMO GAM did not support the resolution to approve the remuneration report and requested CRH to make revisions at the earliest opportunity.

Twenty Largest Holdings

30 September 2019	30 September 2018		% of total investments	Value £'000s
1	2	Diageo (Consumer goods) Diageo is the largest producer of premium branded spirits in the world and also a major producer of beer. A combination of the strength of these brands and exposure to faster growing markets should lead to attractive shareholder returns.	4.2	14,499
2	4	Unilever (Consumer goods) A leading manufacturer of branded fast moving consumer goods with more than half its sales in faster growing emerging markets.	3.9	13,348
3	3	GlaxoSmithKline (Healthcare) One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. The group seems re-energised by new management while there are no patent expiries until 2027.	3.8	13,083
4	5	Secure Income REIT (Financials)* The highly successful Prestbury property management team has brought together an attractive group of assets that are integral to the success of the tenants, with attractive leases that should provide a steadily rising stream of income.	3.8	13,050
5	6	Beazley (Financials) A specialist insurer with a diverse underwriting portfolio that has historically generated strong returns and growth. The current year is proving more difficult due to a worse claims experience, in part caused by a higher incidence of natural catastrophes.	3.1	10,729
6	8	Rio Tinto (Basic materials) One of the world's foremost mining companies. Rio Tinto has a diversified asset base, but its most significant interests are in low cost, high quality iron ore.	3.1	10,522
7	1	Royal Dutch Shell (Oil & gas) A leading international oil exploration, production and marketing group. Previous cost cutting and the acquisition of BG are resulting in strong profits.	3.0	10,181
8	18	Intermediate Capital (Financials) A specialist lender to private companies both on its own behalf and increasingly for third party investors. It is experiencing good demand for its products, generating strong returns and pays an attractive dividend.	2.9	10,033
9	7	Phoenix (Financials) A UK domestic life assurer acting to consolidate the sector. This brings operational and capital efficiencies and diversification benefits that in turn underpin an attractive and growing dividend.	2.9	9,953
10	10	AstraZeneca (Healthcare) A major international pharmaceutical company. The pipeline of new drugs is showing potential.	2.8	9,583

30 September 2019	30 September 2018		% of total investments	Value £'000s
11	30	Bovis Homes (Consumer goods) Under new management, Bovis's housebuilding reputation is being restored and the merger with Galliford Try's house building and partnership businesses will bring cost savings and scale benefits.	2.8	9,469
12	11	Legal and General (Financials) A focus on generating a strong and growing cash flow allows this UK life assurer to pay an attractive and growing dividend to its shareholders.	2.7	9,303
13	15	Informa (Consumer services) A worldwide provider of information to a variety of end users (businesses, academics, individuals) across a range of sectors through a number of media (books and journals, internet, exhibitions and events). The merger with UBM is providing growth opportunities and synergies.	2.5	8,672
14	9	BP (Oil & gas) A leading international oil exploration, production and marketing group. Following past cost cutting, BP is now experiencing better profit and cash flows.	2.4	8,250
15	13	Prudential (Financials) At the date of this report, Prudential was still a mix of the Asian and American operations together with the UK life and asset management business. These have since demerged and we expect the greater focus on the two parts will drive greater shareholder value.	2.4	8,110
16	17	Melrose Industries (Industrials) Melrose's management team continues to work on improving the operations of the acquisitions it has made, most recently GKN. There is little help from the general economic background, but plenty to be realised from internal efficiencies.	2.4	8,060
17	16	OneSavings Bank (Financials) This specialist challenger bank is generating attractive returns and growing well at carefully controlled risk levels. The recently completed merger with Charter Court Financial Services should increase the breadth and efficiency of the enlarged bank.	2.2	7,598
18	21	Compass (Consumer services) Compass is the global leader in outsourced catering. There is a structural shift towards increased outsourcing leading to attractive rates of growth and with its unrivalled scale Compass is able to offer its clients great value.	2.2	7,576
19	-	Countryside Properties (Consumer goods) The main strength of the business is its specialisation in urban regeneration of public sector land. These are typically long-term contracts, which although generally less profitable than mainstream house building also bear fewer associated risks.	2.1	7,039
20	14	Burford Capital (Financials)* Burford is the leading provider of finance to fund litigation cases. It is a fast evolving and growing market with attractive returns for those able to navigate its complexities well.	2.0	6,996

The value of the twenty largest holdings represents 57.2% (30 September 2018: 54.2%) of the Company's total investments.

*Quoted on the Alternative Investment Market in the UK.

Investment Portfolio by Sector

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
<p>Oil & gas</p> <p>The two oil majors Royal Dutch Shell and BP are by far the largest parts of this sector. During the previous year, their share prices had been strong reflecting the favourable combination of the cost cutting programmes they had initiated and a strong oil price. Last year, the oil price fell which partially contributed to the weakness of the share prices of RD Shell (-5%) and BP (-7%). The average size of our investments in these two companies (3.4% and 2.6% respectively) is considerably less than their weighting in the FTSE All-Share Index (8.9% and 4.7%) and this was therefore positive for our relative performance.</p> <p>We remain reluctant to invest more in the sector as history has shown it seems pretty well impossible to forecast the oil price with any accuracy and this is one of the key variables for the sector. It is difficult to be overly optimistic on companies that have so little control over their own revenues. The physical dangers of operations and the longer-term issues of environmental damage are also very significant detractors.</p>	(6.1)	(6.6)	6.0	14.1
<p>Basic materials</p> <p>For the same reason that we are reluctant to invest too heavily in oil-related companies, we have relatively little exposure to this sector too. Our main investment is in Rio Tinto, which we believe is the company with the highest quality assets and most sustainable returns across a cycle. While many other companies in the sector struggled last year, Rio Tinto's share price recorded an attractive total return of +21.7%.</p>	16.8	3.4	3.9	7.8
<p>Industrials</p> <p>As in previous years, there was a very wide spread of returns from our investments in this sector, and a certain amount of mean reversion – some of those companies that had been strong the previous year were weak this year, and vice versa. An example would be DS Smith, +30% in the year to September 2018 and -22% this year, making it the largest negative contributor to performance in this sector. Howden Joinery (+22%) and Ultra Electronics (+31%) were our strongest contributors.</p>	(0.8)	1.1	16.2	11.2

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
<p>Consumer goods</p> <p>Our results from this sector again proved to be a substantial positive for returns. Amongst the strongest contributors were Unilever (+20%), Diageo (+25%) and Burberry (+11%); these three were in a similar position last year as the strength of their brands and exposure to faster growing emerging markets remain major positive factors. We continue to benefit from relatively little exposure to the Tobacco sector, formerly the darling of many income funds as Imperial Brands (not owned at all) fell 26% and British American Tobacco fell 10%. We sold our investment in Glanbia for a return in the year of +12% before weaker trading took the shares down sharply.</p>	13.0	3.8	16.4	14.2
<p>Healthcare</p> <p>Returns from the two largest pharmaceutical companies in the UK were strong last year with AstraZeneca (+26%) and GlaxoSmithKline (+19%). It was again a sector in which to avoid the sharp falls: we had no investments in Indivior (-74%), ConvaTec (-22%), NMC Health (-20%) or Mediclinic International (-21%) to name a few.</p>	21.8	21.0	6.2	8.9
<p>Consumer services</p> <p>The retail environment continues to throw up challenges and opportunities - we benefitted from a 67% gain in our Dunelm investment as a change in management reinvigorated the business, but suffered from a 49% fall in TheWorks as trading was disappointing. We avoided the difficulties of many of the travel related companies, IAG (owner of British Airways - 20%), Carnival (-26%), TUI (-31%), Saga (-60%) and Thomas Cook (-94%). The take-over of Tarsus (+55%) a business exhibition and conference company was clearly positive for performance.</p>	15.7	4.4	11.1	11.6
<p>Telecommunications</p> <p>Our only exposure to this sector was in Manx Telecom, whose operational dynamics are wholly removed from the difficulties experienced by the main incumbents. We have no exposure to either BT (-14%) or Vodafone (+4%) as we are concerned their products and services lack differentiation and so are only really able to compete on price.</p>	18.3	(0.6)	0.4	2.7

	Performance of portfolio %	Performance of FTSE All-Share Index %	Portfolio weighting %	Weighting within FTSE All-Share Index %
<p>Utilities</p> <p>National Grid (+18%) performed well, helped by falling bond yields, but this effect didn't help all utilities. We have not invested in Centrica (-47%) for several years, fearing the public sensitivity to rising power prices and government / regulatory interference is a difficult mix.</p>	17.5	8.9	1.2	2.7
<p>Financials</p> <p>In a large and varied sector we had a number of successes, but these were countered by the sharp fall in Burford Capital (-57%). Due to the size, significance and unusual nature of this fall it has been commented on in detail in the Manager's Report. Intermediate Capital (+38%) was the strongest contributor to performance in the sector as it has continued its strong run of performance (+64% in the year to September 2018) as the business continues to evolve, grow and be re-rated. The property companies Secure Income REIT (+19%) and LondonMetric Property (+28%) were also strong contributors as their distinct portfolios became better appreciated. Our exposure to the niche banks, OneSavings Bank (-4%) and Close Brothers (-7%) were not positive for our returns last year, but we remain very confident of their long-term success.</p>	0.9	0.4	35.9	25.9
<p>Technology</p> <p>This tends to be a volatile sector for returns. RM, a supplier of technology and services to the education sector, was the strongest contributor to this sector with a gain of 37%, but this was moderated by the fall of 21% in FDM, which had returned +61% during the previous year.</p>	6.8	9.1	2.8	1.0

List of Investments

Quoted investments	30 September 2019		Quoted investments	30 September 2019	
	Holding	Value £'000s		Holding	Value £'000s
UNITED KINGDOM – EQUITIES					
Anglo Pacific	686,594	1,349	National Grid	420,000	3,704
Arrow Global	2,650,000	5,750	OneSavings Bank	2,058,006	7,598
Ascential	900,000	3,406	Phoenix	1,439,776	9,953
AstraZeneca	132,000	9,583	Photo Me International	1,209,303	1,165
Babcock International	500,000	2,785	Polypipe	352,679	1,428
BBA Aviation	1,500,000	4,683	PRS REIT	1,923,860	1,674
BCA Marketplace	677,500	1,596	Prudential	550,000	8,110
Beazley	1,725,000	10,729	Rio Tinto	250,000	10,522
Bovis Homes	850,000	9,469	RM	802,593	2,151
BP	1,600,000	8,250	Royal Dutch Shell	425,000	10,181
British American Tobacco	180,000	5,413	RPS	692,768	1,021
Burberry	200,000	4,346	Sage	332,716	2,300
Burford Capital*	850,000	6,996	Secure Income REIT*	2,900,000	13,050
Close Brothers Group	470,000	6,618	Sirius Real Estate	4,302,273	3,248
Compass	361,990	7,576	Strix*	695,767	1,183
<i>Countryside Properties</i>	2,100,000	7,039	<i>Ted Baker</i>	103,950	1,004
CRH	190,000	5,295	The Works	1,618,779	1,303
Diageo	435,000	14,499	Tyman	367,304	882
DS Smith	1,272,727	4,587	Ultra Electronics	139,213	2,815
<i>Essentra</i>	395,502	1,683	Unilever	273,000	13,348
FDM	226,881	1,677	WPP	430,000	4,377
GlaxoSmithKline	750,000	13,083	XP Power	89,085	2,147
Go Ahead	63,430	1,276	Xpediator*	2,273,229	534
Headlam	397,305	1,796	<i>XPS Pensions</i>	1,284,100	1,490
Hipgnosis Songs	4,300,000	4,601	UNITED KINGDOM TOTAL EQUITY	339,547	
Hollywood Bowl	732,460	1,699	EUROPE (EX UK) – EQUITIES		
Howden Joinery	980,000	5,492	SAP (Germany)	36,964	3,519
HSBC	650,000	4,060	EUROPE (EX UK) TOTAL EQUITY	3,519	
<i>Hyve</i>	2,588,713	2,200	TOTAL INVESTMENTS	343,066	
Ibstock	2,750,000	6,484			
IG	475,000	2,862			
Informa	1,018,750	8,672			
Intercontinental Hotels	87,167	4,423			
Intermediate Capital	690,000	10,033			
Intertek	100,000	5,478			
Jupiter Fund Management	700,000	2,488			
<i>Keller</i>	149,953	849			
Legal and General	3,745,000	9,303			
Lloyds Banking Group	11,500,000	6,224			
Londonmetric Property	3,000,000	6,522			
Mckay Securities	1,012,661	2,197			
Melrose Industries	4,000,000	8,060			
Midwich*	232,135	1,184			
National Express	472,338	2,044			

The number of investments in the portfolio is 69 (2018: 73).

*Quoted on the Alternative Investment Market in the UK.

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

Principal Policies

Our principal policies support the Company's investment and business strategies towards the attainment of long-term sustainable growth for our Shareholders.

Investment

We are required to have a publicly stated Investment Policy from which Shareholders, prospective investors and stakeholders can understand the scope of our investment remit and constraints imposed under it. Any material changes to the stated policy can only be made with Shareholder approval.

We invest mainly in FTSE All-Share companies in a diversified portfolio of around 70 holdings. There are no maximum limits across sectors. We can invest in securities listed on the Alternative Investment Market ("AIM") up to a limit of 10% at the time of investment. No single investment in the portfolio may exceed 10% of the Company's total assets at the time of purchase and no unquoted securities may be purchased without the prior approval of the Board. The total value of our investments held outside the UK must not exceed 10% of gross assets at the time of investment but no individual country limits are imposed. The proportion of the portfolio held in FTSE All-Share and AIM listed companies as at 30 September 2019 was 92% and 7% respectively. Only 1% of the total portfolio was held outside the UK, all in continental European stocks.

No more than 10% of our total assets can be invested in other UK listed investment companies (including investment trusts) unless they themselves have stated they will invest no more than 15% of their total assets in other UK listed investment companies. Provided they have, the Company's limit becomes 15%.

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

The Board carries out due diligence with regard to the Investment Policy and underlying policies at each of its Board meetings receiving regular reports from the Fund Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting. The Fund Manager's Review on pages 10 to 12 provides

an overview of the outcome from the application of the Investment Policy and the underlying policies during the course of the year.

Borrowing

Using our closed-ended investment company structure, we can borrow over short, medium or long-term periods within a range of 0 to 20% of net assets to enhance Shareholder returns. Gearing was a modest contributor to returns for the year under review. As at 30 September 2019 we had borrowings of £10 million representing 1.71% net gearing. The Board monitors borrowing levels and covenant headroom at each Board meeting.

Dividend

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

The Board applies due diligence and determines payments by taking account of timely income forecasts, brought forward distributable reserves, prevailing inflation rates, the dividend payment record and Corporation Tax rules governing investment trust status. Risks to the dividend policy have been considered as part of the Principal Risks and Future Prospects reviews noted on page 16. They include: worldwide financial and political instability leading to significant deterioration in the level of income we receive; and unforeseen and significant changes to our regulatory environment. We have sufficient liquid resources to fund any envisaged level of dividend payment.

The consistent application of this policy has enabled us to pay an increased dividend every year for the past 26 years and the total proposed payment for the year under review is fully covered by earnings.

Premium/Discount

We issue new shares in order to satisfy Shareholder demand and to moderate the premium at which the shares have tended to trade in

relation to the NAV per share. When the shares revert to trading at a price lower than the NAV per share, the Board has the flexibility to buy back shares in accordance with the authority given by Shareholders. Shares bought back can either be cancelled or held in treasury for potential resale at a premium. This policy has the benefit of enhancing NAV per share for continuing Shareholders. The Board reviews the discount and premium levels at each meeting. The shares traded at an average premium of 0.2% throughout the year under review in a range of a 5.5% premium and a 4.2% discount. They ended the year at a 1.2% discount. Some shares were issued as reported on page 30 but no shares were bought back.

Taxation

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

Board diversity

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

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring the delivery of investment out-performance for Shareholders over the longer term in the form of sustainable growth in both capital and income. The policy is applied for the purpose of appointing individuals that, together as a board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace. In achieving gender diversity, the Board composition of three men and three women Directors exceeds the target of 33% of women on FTSE 350 company boards by 2020 set under The Hampton-Alexander Review. This is the independent review body which aims to increase the number of women on FTSE 350 boards.

Integrity and business ethics

We apply a strict anti-bribery and anti-corruption policy insofar as it applies to any directors or employee of BMO GAM or of any other organisation with which we conduct business. The Board also ensures that adequate procedures are in place and followed in respect of third-party appointments, acceptance of gifts and hospitality and similar matters.

Prevention of the facilitation of tax evasion

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

Modern Slavery Act 2015

The Company is an investment company with no employees or customers and does not provide goods or services in the normal course of business, which relates to investment primarily in equities. We have appointed BMO GAM to manage the investments, engage on ESG issues and to carry out administrative and secretarial services.

BMO GAM is committed to respecting human rights and stands against all forms of slavery and human trafficking. It is recognised as a leading pioneer in responsible investment and works with policymakers worldwide to deliver market-wide improvements in standards and regulations. Much of its engagement across the companies in which it invests for its clients is on social themes with extensive work on labour practices. Areas of particular focus include modern slavery, freedom of association and supply chains. In 2019, BMO GAM has continued to engage investee companies on how they demonstrate that they are tackling any modern slavery practices, such as forced and child labour, within their supply chains. We are very supportive of BMO GAM's approach and their formal statement which can be found on its website at bmogam.com.

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

Steven Bates
Chairman
29 November 2019

Directors



Steven Bates, Chairman.

Appointed on 3 May 2011 and was last re-elected by Shareholders on 13 February 2018. He will retire from the Board on 31 March 2020 when Jonathan Cartwright will succeed him as Chairman. Steven is chairman of Vietnam Opportunities Fund Ltd and a director of The Biotech Growth Trust PLC. He is also a director of GuardCap Asset Management, a specialist investment management company. He is chairman of Third Point Offshore Investors and sits on, or is advisor to, various committees in the wealth management and pension fund areas. He was head of global emerging markets at JP Morgan Asset Management until 2002.



Clare Dobie, Senior Independent Director.

Appointed to the Board on 16 July 2012 and was last re-elected by Shareholders on 12 February 2019. She is a non-executive director of Alliance Trust PLC and Schroder UK Mid Cap Fund PLC. Until 2015 she also ran her own marketing consultancy. She began her career as a financial journalist, working at the BBC, The Times and The Independent, where she was City Editor. She was then Head of Clients at Barclays Global Investors and Head of Marketing at GAM.



Sharon Brown, Chairman of the Audit and Management Engagement Committee.

Appointed to the Board on 16 September 2013 and was last re-elected by Shareholders on 14 February 2017. She is a non-executive director and chairman of the audit committees of European Opportunities Trust PLC, Celtic PLC, McColls Retail Group PLC and Fidelity Special Values PLC (retiring from the board of the latter on 12 December 2019). She is also a director of Baillie Gifford Japan Trust plc and a number of limited companies in the retail sector. She is a fellow of the Institute of Chartered Management Accountants and was, between 1998 and 2013, Finance Director and Company Secretary of Dobbies Garden Centres PLC.



Jane Lewis was appointed on 24 November

2015 and was last re-elected by Shareholders on 12 February 2019. She is chairman of Invesco Perpetual UK Smaller Companies Investment Trust PLC and a non-executive director of BlackRock World Mining Trust PLC, Majedie Investments PLC and The Scottish Investment Trust PLC. She was a Director of Corporate Finance and Broking at Winterflood Investment Trusts until August 2013. Prior to this she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.



Jonathan Cartwright was appointed to the Board on 26 November 2019 and will seek election by Shareholders at the AGM on 11 February 2020. He will become Chairman with effect from 31 March 2020. He is chairman of Blackrock Income and Growth Investment Trust PLC from which he will retire on 12 March 2020. He is Chairman of The Income & Growth VCT PLC and a non-executive director of British Smaller Companies VCT PLC and Tennants Consolidated Limited. He qualified as a chartered accountant with KPMG and thereafter held the role of group financial controller at Hanson PLC. He moved to Caledonia Investments PLC where he became Finance Director and retired in 2009 after 20 years' service.



Tim Scholefield was appointed to the Board

on 25 November 2014 and was last re-elected by Shareholders on 13 February 2018. He is chairman of City Merchants High Yield Ltd and a non-executive director of Fidelity Asian Values PLC and Standard Life UK Smaller Companies Trust PLC. He has 29 years of investment experience, including his role as Head of Equities at Baring Asset Management until April 2014.

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

All Directors are members of the Audit and Management Engagement Committee and the Nomination Committee.

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 September 2019. The Directors' biographies, Corporate Governance Statement; the Report of the Nomination Committee; the Report of the Audit and Management Engagement Committee; and the Remuneration Report form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit and Management Engagement Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on page 12. Principal risks can be found on page 16 with further information on page 39. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R, other than in respect of Listing Rule 9.8.4(7)R concerning the issue of shares which is on page 30.

Results and dividends

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

Dividends paid in the year ended 30 September 2019	
	£'000s
4th interim for the year ended 30 September 2018 of 3.60 pence per share paid on 28 December 2018	3,659
1st interim for the year ended 30 September 2019 of 2.55 pence per share paid on 29 March 2019	2,613
2nd interim for the year ended 30 September 2019 of 2.55 pence per share paid on 28 June 2019	2,613
3rd interim for the year ended 30 September 2019 of 2.55 pence per share paid on 30 September 2019	2,620
	11,505

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.75 pence per share. This will be paid on 30 December 2019 to Shareholders on the register of members on 13 December 2019. This dividend, together with the other three interim dividends paid during the year (of 2.55 pence per share each), makes a total dividend of 11.40 pence per share. This represents an increase of 4.1% over the 10.95 pence per share paid in respect of the previous year.

As dividends are paid quarterly at the end of March, June, September and December the Company does not pay a final dividend in February that would otherwise require formal Shareholder approval at the AGM. Formal approval will therefore be sought at the AGM to continue quarterly payments. **(Resolution 12)**.

Continuation vote

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

Company status

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

Taxation

As set out on page 27 and in note 7 to the accounts, the Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with section 1158. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Accounting and going concern

Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM **(Resolution 1)**. The financial statements, starting on page 51, comply with current UK financial reporting standards, supplemented by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("**SORP**"). The significant accounting policies of the Company are set out in note 2 to the accounts. The unqualified auditor's opinion

on the financial statements appears on pages 46 to 50. As discussed in note 21 to the Accounts, the Directors believe that in the light of controls and monitoring processes that are in place, the Company has adequate resources to continue in operational existence for at least twelve months from the date of the approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments, and the ability of the Company to meet all of its liabilities and ongoing expenses. Accordingly, it is reasonable for the financial statements to continue to be prepared on a going concern basis. The Company's longer term viability is considered in the Future Prospects "Five-Year Horizon" Statement on page 17.

Statement as to disclosure of information to the auditors

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

Appointment of auditor and auditor's remuneration

The auditor of a company has to be appointed at each annual general meeting at which accounts are laid before Shareholders. By mutual agreement between PwC and the Board, PwC will not seek reappointment when their term of office expires at the end of the forthcoming AGM for the reasons set out in the Report of the Audit and Management Engagement Committee on pages 41 and 42 and in PwC's Statement set out on page 85. Shareholders will be asked to approve the appointment of BDO LLP as the Company's auditors for the ensuing year and for the Audit and Management Engagement Committee to determine their remuneration. **(Resolutions 10 and 11)**.

Capital structure

As at 30 September 2019 there were 102,784,268 ordinary shares of 25 pence each in issue. As at 28 November 2019 (being the latest practicable date before publication of this report) the number of ordinary shares was 102,784,268.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 14 to the accounts. The revenue profits of the Company (including accumulated revenue reserves), together with the realised capital profits, are available for distribution by way of dividends to the

holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to Shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Issue and buyback of shares

At the AGM held on 12 February 2019 Shareholders renewed the Board's authority to issue further ordinary shares up to 10% of the number then in issue. To satisfy demand for the Company's shares, mainly from holders through the BMO savings plans, the Company issued shares on six separate occasions in the year under review. A total of 1,725,000 shares with a nominal value of £431,250 were issued to Cenkos Securities plc in a range between 286.75 pence and 336.75 pence and at an average price of 311.17 pence for a total consideration of £5,319,000 before the deduction of issue costs.

Subject to annual Shareholder approval, the Company may also purchase up to 14.99% of its own issued ordinary shares at a discount to NAV per share. The shares bought back can either be cancelled or held in treasury to be sold as and when the share price returns to a premium. At the AGM held on 12 February 2019 Shareholders gave the Board authority to buy back ordinary shares up to 14.99% of the number then in issue. No shares were bought back either during the year under review or since the year end to the date of this report. No shares are currently held in treasury.

Voting rights and proportional voting

At 28 November 2019 the Company had 102,784,268 ordinary shares in issue with a total of 102,784,268 voting rights. As at that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Approximately 78% of the Company's share capital is held on behalf of non-discretionary clients through the BMO savings plans. For those planholders who do not return their voting directions, the nominee company will vote their shares in proportion to those who do ("**proportional voting**"). Implementation of this arrangement is subject to a minimum threshold of 10% of the shares held in the BMO savings plans being voted. A maximum limit of 400,000 shares that any one individual investor can vote, being approximately 5% of the relevant minimum threshold, also applies. Any individual voting directions received in excess of the maximum limit will remain valid but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Borrowings

The Company has a three-year multicurrency revolving facility agreement of up to £30 million with Scotiabank (Ireland) ("**Scotiabank**"). The interest rate margin and the commitment fees

on the Scotiabank facility have been set at commercial rates. An overdraft arrangement is available to the Company by the Custodian for settlement of investment trades if necessary. Further reference is made in note 13 to the accounts.

Remuneration Report

The Directors' Remuneration Report, which can be found on page 37, provides detailed information on the remuneration arrangements for Directors of the Company including the Directors' Remuneration Policy. Shareholders will be asked to approve the policy at the AGM on 11 February 2020. There have been no changes to the policy since approval by Shareholders in 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 in continuing to achieve the investment objective. It is intended that this policy will continue for the three-year period ending at the AGM in 2023. Shareholders will also be asked to approve the Remuneration Report (**Resolutions 2 and 3**).

Director re-elections

The names of the Directors, along with their biographical details, are set out on page 28 and are incorporated into this report by reference. With the exception of Jonathan Cartwright, who was appointed on 26 November 2019, all the Directors held office throughout the year under review and will stand for re-election by Shareholders at the AGM. Mr Cartwright will stand for election. Following a review of their performance, the Board believes that each of the Directors standing for re-election has made a valuable and effective contribution to the Company. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below. The Board recommends that Shareholders vote in favour of the election and re-elections of the Directors (**Resolutions 4 to 9**).

Resolution 4 relates to the election of newly appointed Director, Jonathan Cartwright. He has a strong accounting and financial background having held the office of Finance Director at Caledonia Investments PLC where he spent much of his career. He also brings strong leadership skills through senior roles including the chairmanship of a venture capital trust and a number of investment trusts. He will replace Steven Bates with effect from 31 March 2020.

Resolution 5 concerns the re-election of Steven Bates who has served almost nine years and, following a period of transition of the chairmanship, will retire on 31 March 2020. He brings leadership and much in-depth knowledge, expertise and experience in investment management at a senior level. Much of his career was as head of global emerging markets at JP Morgan Asset Management. He holds directorships of other investment trust companies and funds including as chairman.

Resolution 6 relates to the re-election of Sharon Brown who has served over six years and has a strong accounting and financial background. She holds directorships of other companies and investment trusts including the role of chairman of a number of Audit Committees. She was Finance Director and Company Secretary of Dobbies Garden Centres PLC.

Resolution 7 concerns the re-election of Clare Dobie who has served over seven years. She has expertise and know-how in marketing and client relations as well as a wealth of experience as a financial journalist. She holds a number of other investment trust directorships. As Senior Independent Director, she led the Nomination Committee's succession planning arrangements in respect of the chairmanship.

Resolution 8 relates to the re-election of Jane Lewis who has served four years. She has extensive sector experience through her career in investment company corporate broking at Winterflood and business development at leading investment trust houses. She holds a number of investment trust directorships including as chairman.

Resolution 9 concerns the re-election of Tim Scholefield who has served five years and brings in-depth investment knowledge, expertise and experience in investment management, particularly in equities. He holds a number of other investment trust directorships, including as chairman.

Directors' interests and indemnification

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

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

Safe custody of assets

The Company's listed investments are held in safe custody by JP Morgan Chase Bank (the "Custodian"). Operational matters with the Custodian are carried out on the Company's behalf by BMO GAM in accordance with the provisions of the management agreement. The

Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held.

Depositary

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

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

The Manager's fee

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

AGM

The AGM will be held on Tuesday 11 February 2020 at 11.30 a.m. at Exchange House, Primrose Street, London EC2. The Notice of AGM appears on page 75. Julian Cane will give a presentation on the year under review, progress in the year to date and his views on the market outlook. There will be an opportunity to ask questions during the meeting and afterwards Shareholders will be able to meet the Directors and Mr Cane informally. Resolutions numbered 13 to 15 are explained below.

Authority to allot shares and sell shares from treasury (resolutions 13 and 14)

Resolutions 13 and 14 are similar in content to the authorities and power previously given to the Directors by Shareholders. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by Shareholders. In addition, directors require specific authority from Shareholders before allotting new shares (or granting rights over shares) for cash or selling shares

out of treasury without first offering them to existing Shareholders in proportion to their holdings.

Resolution 13 gives the Directors, for the period until the conclusion of the annual general meeting in 2021 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £2,569,000 (10,276,000 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 28 November 2019.

Resolution 14 empowers the Directors to allot such securities for cash, other than to existing Shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing Shareholders in proportion to their holdings up to an aggregate nominal amount also of £2,569,000 (representing approximately 10% of the issued ordinary share capital of the Company at 28 November 2019) and amounting to 10,276,000 ordinary shares. These authorities and powers will provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on page 26 or should any other favourable opportunities arise to the advantage of Shareholders. The Directors anticipate that they will mainly use them to satisfy demand from participants in the BMO savings plans when they believe it is advantageous to plan participants and the Company's Shareholders to do so. In no circumstances would the Directors use them to issue or sell any shares from treasury unless the existing shares in issue are trading at a premium to NAV. As at 28 November 2019 no shares were held by the Company in treasury.

Authority for the Company to purchase its own shares (resolution 15)

Resolution 15 authorises the Company to purchase up to a maximum of 15,407,000 ordinary shares (equivalent to approximately 14.99% of the issued share capital) at a minimum price of 25 pence per share and a maximum price per share (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase. The Directors intend to use this authority with the objective of enhancing Shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing net asset value per ordinary share which would have the effect of enhancing that value for remaining Shareholders. Any ordinary shares that are purchased would either be placed into treasury or cancelled. The authority will continue until the expiry of 15 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in a general meeting by special resolution. The Board intends to seek future renewal of the authority.

Form of proxy

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

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

Form of direction

If you are an investor in any of the BMO savings plans you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the internet. BMO GAM operates a proportional voting arrangement, which is explained on page 30.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 11:30 am on 4 February 2020, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

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

By order of the Board
BMO Investment Business Limited
Secretary
29 November 2019

Corporate Governance Statement

Introduction

The Board is adhering to the principles and recommendations of the AIC Code of Corporate Governance (the “**AIC Code**”) published in 2016 and has had regard to the latest version published in February 2019.

The Board believes that the Company has complied with the current recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions set out below, has thereby complied with the relevant provisions of the 2016 UK Corporate Governance Code (“**UK Code**”):

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors’ remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Corporate Governance Guide for Investment Companies, the Board considers these provisions as not being relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company’s day to day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive directors, employees or internal operations or the need for a Remuneration Committee. Therefore, with the exception of the need for an internal audit function, which is addressed on page 40, the Company has not reported further in respect of these provisions.

Detailed information on the Directors’ Remuneration can be found in the Directors’ Remuneration Report on pages 37 and 38 and in note 5 to the accounts.

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

AIFMD

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

Company’s strategy, operations and compliance with regulations. The Manager is the Company’s AIFM.

Articles of association

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

The Board

The Board’s responsibilities are outlined on page 43. More specifically, the Board is responsible for the effective stewardship of the Company’s affairs and has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share issue and buyback policy, risk and control assessment, investment performance monitoring and budget approval. It is responsible for the review and approval of annual and half-yearly reports and other public documents.

In order to enable the Directors to discharge their responsibilities, they all have full and timely access to relevant information. The Board normally meets at least five times a year and also holds a strategy meeting, although the 2019 strategy meeting has been deferred until January 2020 to accommodate the participation of the new Chairman Designate. At each meeting, the Board reviews the Company’s management information, which includes reports on investment performance and strategic matters and financial analyses. Income forecasts and costs are reviewed within set budgets. The Board monitors compliance with the Company’s objectives and is responsible for setting the asset allocation, investment and gearing ranges within which the Manager has discretion to act. Key representatives of the Manager attend each Board meeting. Board meetings are also held on an ad hoc basis to consider particular issues as they arise. The following table sets out the Directors’ meeting attendance in the year under review. Committees of the Board met during the year to undertake business such as the approval of the Company’s results and dividends. All Directors attended the annual general meeting in February 2019.

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

Meeting attendance			
	Board	Audit and Management Engagement Committee	Nomination Committee
No. of meetings	5	4	
Steven Bates	5	4	1
Sharon Brown	5	4	2
Jonathan Cartwright*	N/A	N/A	N/A
Clare Dobie	5	4	2
Jane Lewis	5	4	2
Tim Scholefield	5	4	2

*Jonathan Cartwright's first attendance was on the date of his appointment on 26 November 2019.

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such professional advice was taken by Directors during the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement. The powers of the Board relating to the buying back or issuance of the Company's shares are explained on pages 26 and 27.

Appointments

Under the articles of association of the Company, the number of Directors on the Board cannot exceed ten. An induction process takes place for new appointees and all Directors are encouraged to attend relevant training courses and seminars. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments by the Board are subject to subsequent election by Shareholders at the next annual general meeting. With effect from the AGM in 2020, all Directors will stand for re-election by Shareholders annually.

Board effectiveness

During the year, in order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carried out a process of formal annual self-appraisal. This was facilitated by way of confidential interviews between the Chairman and each Director. Key representatives of the Manager also participated in the process and provided feedback to the Board. The appraisal of the Chairman was carried out by the Board under the leadership of the Senior Independent Director. The Board considers that the appraisal process is a constructive means of evaluating the contribution of individual Directors and

identifying ways to improve the functioning and performance of the Board and its committees and building on and improving collective strengths, including assessing any training needs. The option of using external consultants to conduct this evaluation is kept under review.

Independence of Directors

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

Conflicts of interest

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

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. They are reviewed throughout the year at each Board meeting and the authorisation of each individual Director's conflicts or potential conflicts annually. These authorisations were reviewed in November 2019 when it was concluded that in each case these situational conflicts had not affected any individual in his/her role as a Director of the Company. Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

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

By order of the Board
BMO Investment Business Limited
Secretary
29 November 2019

Report of the Nomination Committee

Role of the Committee

The Committee met on two occasions during the year. Its primary role is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. Established on 26 November 2018, its responsibilities were previously carried out by the Board and therefore all its responsibilities have been carried out, either at Board or Committee level, over the course of the year under review and to date, namely:

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

Composition of the Committee

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

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. I will have served nearly nine years by the time of the AGM in February 2020 and, whilst

no new appointments were made during the financial year, the appointment of my successor had been under active consideration and the appointment has subsequently been made. On page 7 I have reported on the appointment of Jonathan Cartwright as Chairman Designate and my intention to retire from the Board on 31 March 2020. The search for my replacement was led by the Senior Independent Director, Clare Dobie. The Nomination Committee used the services of a search agency, Webster Partners, for the sole purpose of this appointment; no other business relationship exists with that agency. As part of the Board's annual setting of objectives, the implementation of a sequence of other directorate changes can be expected to follow this appointment in accordance with the tenure and diversity policies over the next few years. The final decision on appointing new Directors always rests with the Board.

Diversity and tenure

The Board's diversity policy, objective and progress in achieving it are set out on page 27. In normal circumstances the Chairman and Directors are expected to serve for a nine-year term, but this may be adjusted for reasons of flexibility and continuity.

Committee evaluation

The activities of the Nomination Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on page 35. The conclusion from the process was that the Committee was operating effectively, with the right balance of membership, experience and skills.

Steven Bates
Nomination Committee Chairman
29 November 2019

Directors' Remuneration Report

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. Time committed to the Company's affairs and the role that individual Directors fulfil in respect of Board and Committee responsibilities are taken into account. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. This policy was last approved by Shareholders in February 2017 with 89.7% voting in favour, 10.2% against with 0.1% withheld. The policy will be put to Shareholders for renewal at the AGM. The Board has not received any views from Shareholders in respect of the levels of Directors' remuneration.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £180,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director. The fees are fixed and are payable in cash, half yearly in arrears. The fees are reviewed each year. Towards the end of the year under review the Chairman carried out a review of fee rates in accordance with the policy. The Board agreed his recommendation that commencing 1 October 2019 the basic Director's fee should be £24,500 per annum representing an increase of 2.1% since the last increase on 1 October 2018 and that the additional fee for the role of chair of the Audit and Management Engagement Committee would increase by £500 to £5,500 per annum. The Board also agreed to the Senior Independent Director's recommendation that the Chairman's fee be increased to £37,000 per annum; a rise of 2.8%.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed. Each new Director is provided with a letter of appointment. There is no provision for compensation upon early termination of appointment. The letters of appointment are available for

inspection at the Company's registered office during business hours and will be available for 15 minutes before and during the forthcoming AGM.

The dates on which each Director was appointed to the Board and was last re-elected by Shareholders are set out on page 28. Each Director's appointment is subject to election at the first annual general meeting and continues thereafter subject to re-election at each subsequent annual general meeting. The appointment can be terminated on one month's notice. All the Directors will stand for re-election, or election in the case of Jonathan Cartwright, at the AGM on 11 February 2020.

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

Annual fees for Board Responsibilities		
	2020 £'000s	2019 £'000s
Chairman	37.0	36.0
Director	24.5	24.0
Senior Independent Director ⁽¹⁾	26.0	25.5
Audit Committee Chairman ⁽²⁾	30.0	29.0

(1) Director fee plus £1,500 as Senior Independent Director

(2) Director fee plus £5,500 (2019: £5,000) as committee chairman

Directors' shareholdings

Directors' share interests (audited)		
At 30 September	2019	2018
Steven Bates	nil	nil
Sharon Brown	1,500	1,500
Jonathan Cartwright*	N/A	N/A
Clare Dobie	2,570	2,570
Jane Lewis	3,095	1,534
Tim Scholefield	8,500	8,500

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

*Appointed 26 November 2019.

There have been no changes in any of the Directors' shareholdings detailed above between 30 September 2019 and the date of this report. No Director held any interests in the issued shares of the Company other than as stated above. There is no requirement for the Directors to hold shares in the Company.

Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to Shareholders at the forthcoming AGM. At the last meeting, Shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2018. 91.8% of votes were cast in favour of the resolution, 8.1% against and 0.1% withheld.

Directors' remuneration for the year

The Directors who served during the year received the following amounts for services as non-executive Directors for the years ended 30 September 2019 and 2018 and can expect to receive the fees indicated for 2020 as well as reimbursement for expenses necessarily incurred.

Fees for services to the Company (audited)							
Director	Fees £'000s (audited)		Taxable Benefits ⁽¹⁾ £'000s (audited)		Total £'000s (audited)		Anticipated Fees ⁽²⁾ £'000s
	2019	2018	2019	2018	2019	2018	2020
Steven Bates ⁽³⁾	36.0	35.0	-	-	36.0	35.0	18.5
Sharon Brown	29.0	28.5	4.6	4.7	33.6	33.2	30.0
Jonathan Cartwright ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	26.9
Clare Dobie	25.5	23.5	0.4	0.3	25.9	23.8	26.0
Jane Lewis	24.0	23.5	0.7	0.4	24.7	23.9	24.5
Tim Scholefield	24.0	23.5	-	-	24.0	23.5	24.5
Total	138.5	134.0	5.7	5.4	144.2	139.4	150.4

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.

(2) Fees expected to be payable to the Directors during the course of the year ending 30 September 2020. Taxable benefits are also anticipated but are not currently quantifiable.

(3) Highest paid Director. He will retire on 31 March 2020.

(4) Appointed as a non-executive Director on 26 November 2019, he will become chairman with effect from 31 March 2020.

The information in the above table for the years 2018 and 2019 has been audited.

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

Relative importance of pay			
Year ended 30 September	2019 £'000s	2018 £'000s	% Change
Aggregate Directors' fees	138.5	134.0	3.4
Management and other expenses ⁽¹⁾	1,884	1,906	-1.2
Dividends paid to Shareholders ⁽²⁾	11,505	10,803	6.5

(1) Includes Directors' remuneration.

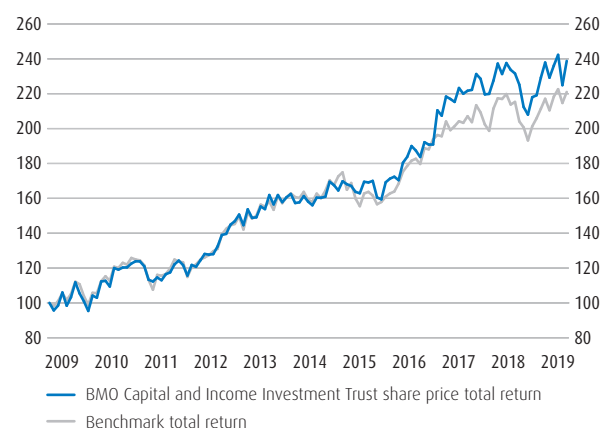
(2) The aggregate dividend figure is higher than the percentage increase in the dividend rate over 2018 as share issues increase the number of shares in issue that are entitled to payment. See note 9 to the accounts for further details.

Company performance

The Board is responsible for the Company's investment strategy and performance. The management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company for the year ended 30 September 2019 is given in the Chairman's Statement and Fund Manager's Review.

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

Shareholder total return vs Benchmark total return over ten years (rebased to 100 at 30 September 2009)



Source: BMOGAM & Refinitiv Eikon

On behalf of the Board

Steven Bates

Chairman

29 November 2019

Report of the Audit and Management Engagement Committee

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

Role of the Committee

The Committee met on four occasions during the year, and the attendance of each of the members is set out on page 35. The Trust Accountant, the Fund Manager and Risk Managers of BMO GAM were invited to attend certain meetings to report on relevant matters. The external auditor, PwC, attended two of the committee meetings and also met in private session with the Committee chairman.

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

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

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

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 43. On broader control policy issues, the Committee has reviewed, and is satisfied with, BMO's Code of Conduct and to the Anti-Bribery and Anti-Corruption Operating Directive (the **"Directive"**) to which BMO GAM and its employees are subject. The Committee has also reviewed BMO GAM's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication to this Committee where matters might impact the Company with appropriate follow up action. In the year under review, there were no such concerns raised with the Committee.

Composition of the Committee

All the Directors of the Company are independent and are members of the Committee. In view of the relatively small number of Directors and the fully independent relationship with the Manager, the Board believes there is benefit in the Chairman being a member of the Committee. Sharon Brown, chairman of the Committee, is a Chartered Management Accountant with experience as a finance director and is chairman of the audit committees of other companies, including other investment trust companies. The other members of the Committee have a combination of relevant financial, investment and business experience through the senior posts held throughout their careers. The Committee considers that collectively the members have sufficient recent and relevant sector and financial experience to discharge their responsibilities. The performance of the Committee was evaluated as part of the Board appraisal process.

Management of risk

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

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

The Board carried out a separate exercise in September 2019 during which each Director, the Fund Manager and Head of Investment Trusts independently listed what they consider to be the top five risks that could impact the success of the Company. The purpose of the exercise was to ensure all risks were included in the risks matrix, identify any new emerging risks and consider any necessary action to mitigate their potential impact. The combined list was then reconciled with the risks previously identified within the existing key risk “radar” and reviewed as part of the robust assessment of the Company’s risk and controls described below.

The Company’s Principal Risks and their mitigations are set out on page 16 with additional information given in note 22 to the Accounts. The integration of these risks into the analyses underpinning the “Five-Year Horizon” Statement on page 17 was fully considered and the Committee concluded that the Board’s statement was soundly based. The period of five years was also agreed as being appropriate for the reasons given in the statement.

Internal controls

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

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company’s internal control systems. The assessment included a review of the BMO GAM risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2018 (the “ISAE/AAF

Report”) and subsequent confirmation from BMO GAM that there had been no material changes to the control environment since this date. This had been prepared by BMO GAM for all its investment trust clients to the International Standard on Assurance Engagement (“ISAE”) No.3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06).

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

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

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

External audit process and significant issues considered by the committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the 2019 external audit. The table on page 41 describes the significant judgements and issues considered by the Committee in conjunction with PwC in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements and estimates referred to in note 2(c)(xiii) to the Accounts.

The Committee met in November 2019 to discuss the draft Report and Accounts, with representatives of PwC and BMO GAM in attendance. PwC

submitted their Year-End report to the Committee and confirmed that they had no reason not to issue an unqualified audit opinion in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board and confirmed that the Report and Accounts

were in their view fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The Independent Auditors' Report, which sets out their unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 46 to 50.

Significant Judgements and Issues considered by the Committee in 2019

Matter	Action
Investment Portfolio Valuation	
The Company's portfolio is invested in listed securities. Although the vast majority of the securities are highly liquid and listed on recognised stock exchanges, errors in the valuation could have a material impact on the Company's net asset value per share.	The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depository. The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2018, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities. BMO GAM has provided further assurance that controls have operated satisfactorily since that date. The valuation and existence of investments were tested and reported on by the auditors as set out on page 48.
Misappropriation of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2018, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Committee also reviewed the Custodian's annual internal control report to 31 March 2019, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager, Depository and Custodian, in respect of controls operating in subsequent periods up to 30 September 2019, were also reviewed and agreed as being satisfactory.
Income Recognition	
Incomplete or inaccurate income recognition could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Committee reviewed BMO GAM's ISAE/AAF Report and subsequent confirmation referred to above. It also assessed the final level of income received for the year against the budget which was set at the start of the year and discussed the accounting treatment of special dividends with the Manager. Investment income was also tested and reported on by the auditors as set out on page 48.

Auditor assessment and independence

As reported last year, PwC will not be seeking reappointment at the AGM in February 2020. PwC's explanatory letter to the Company can be found on page 85 and more information relating to the audit tender process undertaken by the Committee in July of this year can be found below. The Committee has been satisfied with the effectiveness of PwC's performance on their final audit of the Company's accounts. PwC have confirmed their independence of the Company and have complied with relevant auditing standards. In evaluating PwC, the Committee took into consideration the standing, skills and experience of the firm and the audit team and also took note of PwC's audit performance through the FRC's Audit Quality Review. The fee for the audit was £30,586 (2018: £29,840) as shown in Note 5 to the accounts.

Non-audit services

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

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

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

There were no non-audit services for the year ended 30 September 2019.

Change of auditor

PwC has been the Company's auditor since its inception in 1992 and although the firm was available for one more year, the Committee decided to tender the contract for audit and audit-related services this year to coincide with the rotation of the PwC senior statutory auditor, Jeremy Jensen. In choosing which firms would be invited to tender, the

Committee took into account their overall standing and the level of experience in auditing investment trust companies. During the process it became clear that firms were being highly selective as to which companies they would present to with the result that only one of five audit firms, BDO, accepted the Committee's invitation.

Despite the lack of choice, the Committee recognised that there could be no compromise over standards and that it was essential that BDO demonstrate to the Committee their suitability as auditor. The Committee was given a very thorough and professional presentation and regarded the team, their approach and resource as impressive. As part of the process the Committee took an external reference from one of their client companies and noted the results of the FRC's Audit Quality Inspection of BDO for 2018/19. For a second consecutive year, 88% of their audits reviewed achieved the FRC's top ranking for quality, with none requiring significant improvements. Assurances were given by BDO that there would be no complacency and that they would continue to invest in people and technology to achieve and maintain the highest industry-wide standards. The Committee also took comfort that, independently and in accordance with best practice, the audit committee of another BMO GAM managed investment trust had assessed the presentations of both BDO and another audit firm in their audit tender process earlier in the year and had selected BDO.

Subsequent to the presentation the Board, on the recommendation of the Committee and having considered the potential option of reappointing PwC for one more year under a different audit partner, decided to put BDO forward for appointment by Shareholders at the AGM in February 2020 in respect of the audit for the year ending 30 September 2020. A resolution to approve the appointment will be put to Shareholders at the AGM.

Manager evaluation process

Investment performance is considered by the Board at every meeting, with the formal annual evaluation undertaken by the Committee including the wider services provided by BMO GAM. In evaluating the performance, the Committee considers a range of factors including the investment performance of the portfolio and the skills, experience and depth of the team involved in managing the Company's assets. For the purposes of its ongoing monitoring, the Board had received detailed reports and views from the Fund Manager on investment policy, asset allocation, gearing and risk. The Board had also received comprehensive performance measurement schedules, provided by Refinitiv Eikon and BMO GAM. These enabled it to assess: the success or failure of the management of the portfolio against the performance objectives set by the Board; the sources of positive and negative contribution to the portfolio in terms of gearing, asset allocation and stock selection; and the risk/return characteristics. The Committee also monitors the expenses of the Company including the level of the Manager's fee.

Manager reappointment

The annual evaluation that took place in November 2019 included a presentation from BMO GAM's Head of Investment Trusts. The NAV and share price total returns had outperformed the Benchmark over one, three, five, ten and twenty years and dividend growth had continued to outpace inflation. BMO GAM continued to commit the necessary resources in all areas of their responsibilities, including ESG, marketing and administrative services towards the achievement of the Company's objective. The Committee met in closed session following the presentation and concluded that in its opinion, in the light of strong investment performance and the quality of the overall service provided, the continuing appointment of the Manager on the terms agreed was in the interests of Shareholders as a whole. The Board ratified this recommendation.

Sharon Brown
Chairman of the Audit and
Management Engagement Committee
29 November 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report and Accounts is published on the bmocapitalandincome.com website, which is maintained by BMO GAM. The Directors are responsible for the maintenance and integrity of the Company's website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors listed on page 28 confirm to the best of their knowledge that:

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

On behalf of the Board
Steven Bates
 Chairman
 29 November 2019

Management and Advisers

The Management Company

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

The Manager also acts as the Alternative Investment Fund Manager.

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

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

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

Secretary and Company's Registered Office

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

Telephone: 020 7628 8000
Facsimile: 020 7628 8188
Website: bmocapitalandincome.com
Email: info@bmogam.com

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Bankers

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

Custodian

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

Depository

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

Share Registrars

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

Telephone: 0370 889 4094

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

Solicitors

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

Stockbrokers

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

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



Independent Auditors' Report

Independent auditors' report to the members of BMO Capital and Income Investment Trust PLC (the "**Company**")

Report on the audit of the financial statements

Opinion

In our opinion, the Company's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Accounts 2019 (the "**Annual Report**"), which comprise: the balance sheet as at 30 September 2019; the income statement, the statement of cash flows, the statement of changes in equity for the

year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

Our audit approach

Overview



- Overall materiality: £3.4 million (2018: £3.3 million), based on 1% of net assets.
- The Company is a standalone Investment Trust Company and engages BMO Investment Business Limited (the '**Manager**') to manage its assets.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- Dividend income from investments.
- Valuation and existence of investments.

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

We have provided no non-audit services to the Company in the period from 1 October 2018 to 30 September 2019.

■ The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

■ Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to section 1158 of the Corporation Tax Act 2010 (see page 29 of the Report and Accounts 2019), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- enquiries of management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reviewing relevant meeting minutes, including those of the Audit and Management Engagement Committee;
- testing the Company's compliance with Section 1158 of the Corporation Tax Act 2010 in the current year;
- identifying and testing journal entries, in particular manual journal entries posted by the Administrator during the preparation of the financial statements;
- understanding and evaluating the Administrator's and Managers' internal controls designed to detect and prevent irregularities; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our audit procedures.

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

■ Key audit matters

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

■ How we tailored the audit scope

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

■ Materiality

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

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

Overall materiality

£3.4 million (2018: £3.3 million).

How we determined it

1% of net assets.

Rationale for benchmark applied

We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £169,000 (2018: £164,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matter	How our audit addressed the key audit matter
Dividend income from investments	
<p>Refer to page 41 (Report of the Audit and Management Engagement Committee), page 57 (Significant accounting policies) and page 59 (Notes to the Accounts).</p> <p>Dividend income from investments during the year ended 30 September 2019 was £14.8 million.</p> <p>We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the ‘SORP’).</p> <p>This is because incomplete or inaccurate income could have a material impact on the Company’s net asset value and dividend cover.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 2 on page 57 of the financial statements.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>We understood and assessed the design and implementation of key controls surrounding revenue recognition.</p> <p>To test for accuracy, we tested dividend rates for dividends received from a sample of investments to independent third party sources.</p> <p>To test for completeness and occurrence, we tested that dividends recognised had been received in the year by agreeing dividends declared to independent third party sources for a sample of investment holdings.</p> <p>We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the SORP. We also agreed the allocation of all special dividends to income or capital to independent third party sources.</p> <p>No material misstatements were identified by our testing which required reporting to those charged with governance.</p>
Valuation and existence of investments	
<p>Refer to page 41 (Report of the Audit and Management Engagement Committee), page 55 (Significant accounting policies) and page 63 (Notes to the Accounts).</p> <p>The investment portfolio at the year-end comprised listed equity investments valued at £343 million.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JPMorgan Chase Bank.</p> <p>No material misstatements were identified by our testing which required reporting to those charged with governance.</p>

■ Going concern

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

Reporting obligation

We are required to report if we have anything material to add or draw attention to in respect of the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors’ identification of any material uncertainties to the Company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Outcome

We have nothing material to add or to draw attention to.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company’s ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company’s trade, customers, suppliers and the wider economy.

Reporting obligation

We are required to report if the Directors’ statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Outcome

We have nothing to report.

Reporting on other information

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

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

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

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

■ Strategic report and Directors' report

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

- The Directors' confirmation on page 16 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

- The Directors' explanation on page 17 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

■ Other UK code provisions

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

- The statement given by the Directors, on page 29, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 39 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.
- The Directors' statement relating to the Company's compliance with the UK Code does not properly disclose a departure from a relevant provision of the UK Code specified, under the Listing Rules, for review by the auditors.

■ Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Directors to audit the financial statements for the year ended 30 September 1993 and subsequent financial periods. The period of total uninterrupted engagement is 27 years, covering the years ended 30 September 1993 to 30 September 2019.

**Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 November 2019**

Income Statement

Revenue notes Capital notes		for the year ended 30 September					2018 Total £'000s
		Revenue £'000s	Capital £'000s	2019 Total £'000s	Revenue £'000s	Capital £'000s	
10	Gains on investments	-	3,878	3,878	-	6,841	6,841
18	Foreign exchange gains/(losses)	1	5	6	5	(6)	(1)
3	18 Income	14,810	459	15,269	13,143	-	13,143
4	18 Management fee	(667)	(667)	(1,334)	(688)	(688)	(1,376)
5	18 Other expenses	(547)	(3)	(550)	(519)	(11)	(530)
	Net return before finance costs and taxation	13,597	3,672	17,269	11,941	6,136	18,077
6	18 Finance costs	(164)	(164)	(328)	(223)	(223)	(446)
	Net return before taxation	13,433	3,508	16,941	11,718	5,913	17,631
7	Taxation	(7)	-	(7)	(8)	-	(8)
18	18 Net return attributable to Shareholders	13,426	3,508	16,934	11,710	5,913	17,623
8	8 Return per share – pence	13.12	3.43	16.55	11.70	5.90	17.60

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

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

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

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

Statement of Changes in Equity

for the year ended 30 September 2019							
Notes	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	25,265	125,380	4,146	4,434	155,053	13,194	327,472
	Movements during the year ended 30 September 2019						
9	-	-	-	-	-	(11,505)	(11,505)
14,15	431	4,817	-	-	-	-	5,248
	-	-	-	-	3,508	13,426	16,934
	25,696	130,197	4,146	4,434	158,561	15,115	338,149
for the year ended 30 September 2018							
Notes	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	24,634	117,822	4,146	4,434	149,140	12,287	312,463
	Movements during the year ended 30 September 2018						
9	-	-	-	-	-	(10,803)	(10,803)
14,15	631	7,558	-	-	-	-	8,189
	-	-	-	-	5,913	11,710	17,623
	25,265	125,380	4,146	4,434	155,053	13,194	327,472

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

Balance Sheet

at 30 September		
Notes	2019 £'000s	2018 £'000s
	Fixed assets	
10	Investments	343,066
	Current assets	
11	Debtors	1,275
	Cash and cash equivalents	4,229
	Total current assets	5,504
	Current liabilities	
12	Creditors: amounts falling due within one year	(421)
	Bank overdrafts	-
13	Loans	(10,000)
	Total current liabilities	(10,421)
	Total assets less current liabilities	(4,917)
	Net assets	338,149
	Capital and reserves	
14	Share capital	25,696
15	Share premium account	130,197
16	Capital redemption reserve	4,146
17	Special reserve	4,434
18	Capital reserves	158,561
18	Revenue reserve	15,115
	Total Shareholders' funds	338,149
19	Net asset value per ordinary share – pence	328.99

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

The Financial Statements on pages 51 to 72 were approved by the Board on 29 November 2019 and signed on its behalf by

Steven Bates, Chairman

Statement of Cash Flows

for the year ended 30 September			
Notes		2019 £'000s	2018 £'000s
20	Cash flows from operating activities before dividends received and interest paid	(1,355)	(1,830)
	Dividends received	15,125	12,664
	Interest paid	(332)	(450)
	Cash flows from operating activities	13,438	10,384
	Investing activities		
	Purchase of investments	(35,033)	(42,351)
	Sale of investments	36,832	34,877
	Other capital charges	(3)	(11)
	Cash flows from investing activities	1,796	(7,485)
	Cash flows before financing activities	15,234	2,899
	Financing activities		
9	Equity dividends paid	(11,505)	(10,803)
14,15	Net proceeds from issuance of new shares	5,248	8,189
13	Drawdown of loans	-	20,000
13	Repayment of loans	(10,000)	(20,000)
	Cash flows from financing activities	(16,257)	(2,614)
	Net movement in cash and cash equivalents	(1,023)	285
	Cash and cash equivalents at the beginning of the year	5,246	4,962
	Effect of movement in foreign exchange	6	(1)
	Cash and cash equivalents at the end of the year	4,229	5,246
	Represented by:		
	Cash at bank	399	-
	Short term deposits	3,830	5,280
	Bank overdrafts	-	(34)
		4,229	5,246

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

Notes to the Accounts

1. General information

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

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

The accounting policies have been applied consistently throughout the year ended 30 September 2019 with no significant changes, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

As referred to in the Directors' Report on page 29 and note 21 to the accounts, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) Basis of accounting

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

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

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

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year ended 30 September 2019 and the prior year.

(i) Financial instruments

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

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

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

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

(ii) Fixed asset investments and derivative financial instruments

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

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

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

(iii) Debt Instruments

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

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

(iv) Foreign currency

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

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

(v) Income

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

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

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

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

(vi) Expenses, including finance charges

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

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

(vii) Taxation

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

(viii) Dividends payable

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

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

The following is accounted for in this reserve:

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

(x) Capital Redemption Reserve

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

(xi) Special reserve (distributable reserve)

The following are accounted for in this reserve:

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

(xii) Capital reserves (distributable reserves)

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve – arising on investments held

The following are accounted for in this reserve:

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

(xiii) Use of judgements and estimates

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

There has been no significant judgement or estimate in the preparation of the financial statements to the year to 30 September 2019.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits may nevertheless still be considered to be wholly revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature is disclosed in note 18 to the accounts. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies without prior reference to the Company.

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

3. Income

	2019 £'000s	2018 £'000s
Income from investments		
Dividends	14,772	13,044
	14,772	13,044
Other income		
Interest on cash and cash equivalents	36	39
Income Tax recovered previously expensed	2	-
Underwriting commission	-	60
	38	99
Total income	14,810	13,143

Included within income from investments is £561,000 (2018: £276,000) of special dividends classified as revenue in nature in accordance with note 2(c)(xiii).

As at 30 September 2019 there was no outstanding sub-underwriting contracts (2018: none outstanding).

4. Management fee

	2019			2018		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Management fee	667	667	1,334	688	688	1,376

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

5. Other expenses

	2019			2018		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
- for audit services ⁽¹⁾	37	-	37	36	-	36
- for other services ⁽²⁾	-	-	-	-	9	9
Directors' fees for services to the Company ⁽³⁾	139	-	139	134	-	134
Directors' and Officers' liability insurance	6	-	6	7	-	7
Loan commitment fee	8	-	8	-	-	-
Loan arrangement fee	-	-	-	24	-	24
Marketing	126	-	126	106	-	106
Professional fees	61	-	61	48	-	48
Printing and postage	59	-	59	58	-	58
Registrars' fees	31	-	31	25	-	25
Subscriptions and listing fees	47	-	47	46	-	46
Sundry expenses	33	3	36	35	2	37
Total other expenses	547	3	550	519	11	530

All expenses are stated gross of irrecoverable VAT, where applicable.

(1) Total Auditors' remuneration for audit services, exclusive of VAT amounts is £30,586 (2018: £29,840).

(2) Total Auditors' remuneration for other services exclusive of VAT amounts to £nil (2018: £7,400 for other services in connection with the liquidation of F&C Income and Growth Investment Trust PLC on 28th March 2018).

(3) See the Directors' Remuneration Report on page 37.

6. Finance costs

	2019			2018		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Loan interest	164	164	328	222	222	444
Overdraft interest	-	-	-	1	1	2
Total finance cost	164	164	328	223	223	446

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

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	2019			2018		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Overseas taxation	7	-	7	8	-	8
Total taxation charge (see note 7(b))	7	-	7	8	-	8

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK (19.0%) (2018: same). Factors affecting the taxation change are set out below.

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

	2019			2018		
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Net return on ordinary activities before taxation	13,433	3,508	16,941	11,718	5,913	17,631
Return on ordinary activities multiplied by the effective rate of corporation tax of 19% (2018: same)	2,552	667	3,219	2,226	1,123	3,349
Effects of:						
Dividends*	(2,807)	(87)	(2,894)	(2,478)	-	(2,478)
Expenses not utilised in the year	255	158	413	252	176	428
Overseas taxation not relieved	7	-	7	8	-	8
Capital returns*	-	(738)	(738)	-	(1,299)	(1,299)
Total taxation (see note 7(a))	7	-	7	8	-	8

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

The potential deferred tax asset of £3.9 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2019 (2018: £3.8 million) has not been recognised as it is unlikely that these expenses will be utilised.

8. Return per share

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Net return attributable to equity Shareholders - £'000s	13,426	3,508	16,934	11,710	5,913	17,623
Return per share - pence	13.12	3.43	16.55	11.70	5.90	17.60

Both the revenue and capital returns per share are based on a weighted average of 102,301,049 ordinary shares in issue during the year (2018: 100,117,008).

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2019 £'000s	2018 £'000s
Fourth of four interims for the year ended 30 September 2017 of 3.45p per share	15-Dec-17	27-Dec-17	-	3,413
First of four interims for the year ended 30 September 2018 of 2.45p per share	09-Mar-18	29-Mar-18	-	2,446
Second of four interims for the year ended 30 September 2018 of 2.45p per share	08-Jun-18	29-Jun-18	-	2,468
Third of four interims for the year ended 30 September 2018 of 2.45p per share	31-Aug-18	28-Sep-18	-	2,476
Fourth of four interims for the year ended 30 September 2018 of 3.60p per share	14-Dec-18	28-Dec-18	3,659	-
First of four interims for the year ended 30 September 2019 of 2.55p per share	08-Mar-19	29-Mar-19	2,613	-
Second of four interims for the year ended 30 September 2019 of 2.55p per share	07-Jun-19	28-Jun-19	2,613	-
Third of four interims for the year ended 30 September 2019 of 2.55p per share	30-Aug-19	30-Sep-19	2,620	-
			11,505	10,803

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2019 of 3.75 pence per share, payable on 30 December 2019 to all Shareholders on the register at close of business on 13 December 2019. The fourth interim dividend has not been included as a liability in these financial statements. The dividends paid and payable in respect of the financial year ended 30 September 2019, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2019 £'000s
Net revenue return attributable to Shareholders	13,426
First of four interims for the year ended 30 September 2019 of 2.55p per share	(2,613)
Second of four interims for the year ended 30 September 2019 of 2.55p per share	(2,613)
Third of four interims for the year ended 30 September 2019 of 2.55p per share	(2,620)
Fourth of four interims for the year ended 30 September 2019 of 3.75p per share ⁽¹⁾	(3,854)
Transferred to revenue reserve	1,726

(1) Based on shares in issue and their entitlement to the dividend at 29 November 2019.

10. Investments

	Level 1 ⁽¹⁾ £'000s	Level 3 ⁽¹⁾ £'000s	2019 Total £'000s	Level 1 ⁽¹⁾ £'000s	Level 3 ⁽¹⁾ £'000s	2018 Total £'000s
Cost brought forward	226,510	1,795	228,305	217,054	1,795	218,849
Gains/(losses) brought forward	114,524	(1,795)	112,729	109,665	(1,795)	107,870
Valuation of investments brought forward	341,034	-	341,034	326,719	-	326,719
Transfer to level 3 ⁽²⁾	-	-	-	(983)	983	-
Purchases at cost	35,033	-	35,033	42,351	-	42,351
Sales proceeds	(36,879)	-	(36,879)	(34,877)	-	(34,877)
Gains/(losses) on investments sold in year	10,294	-	10,294	2,965	(983)	1,982
(Losses)/gains on investments held at year end	(6,416)	-	(6,416)	4,859	-	4,859
Valuation of investments carried forward	343,066	-	343,066	341,034	-	341,034
Cost at 30 September	234,958	1,795	236,753	226,510	1,795	228,305
Gains/(losses) at 30 September	108,108	(1,795)	106,313	114,524	(1,795)	112,729
Valuation of investments at 30 September	343,066	-	343,066	341,034	-	341,034
					2019 £'000s	2018 £'000s
Gains on investments sold in year					10,294	1,982
(Losses)/gains on investments held at year end					(6,416)	4,859
Total gains in year					3,878	6,841

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

(2) Transferred and written down during the prior year.

The investment portfolio is set out on page 25.

11. Debtors

	2019 £'000s	2018 £'000s
Accrued income	1,164	1,524
Investments sold awaiting settlement	47	-
Prepayments	16	21
Income tax recoverable	6	-
Overseas taxation recoverable	42	37
	1,275	1,582

12. Creditors: amounts falling due within one year

	2019 £'000s	2018 £'000s
Management fee	341	347
Loan interest	-	4
Accruals	80	39
	421	390

13. Loans

	2019 £'000s	2018 £'000s
Sterling loans: falling due within one year	10,000	20,000

On 28 March 2018 the Company entered into a new multicurrency revolving facility agreement of up to £30 million with Scotiabank (Ireland) ("Scotiabank"), expiring on 26 March 2021. The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates.

As at 30 September 2019 the Company had drawn down £10 million of the loan facility.

14. Share capital

	2019 Issued and fully paid		2018 Issued and fully paid	
	Number	£'000s	Number	£'000s
Ordinary shares of 25 pence each				
Balance brought forward	101,059,268	25,265	98,534,268	24,634
Ordinary shares issued	1,725,000	431	2,525,000	631
Balance at 30 September	102,784,268	25,696	101,059,268	25,265

No further shares have been bought back or issued since the year end.

15. Share premium account

	2019 £'000s	2018 £'000s
Balance brought forward	125,380	117,822
Premium on issue of shares	4,888	7,558
Costs associated with share issues	(71)	-
Balance carried forward	130,197	125,380

16. Capital redemption reserve

	2019 £'000s	2018 £'000s
Balance brought forward and carried forward	4,146	4,146

17. Special reserve

	2019 £'000s	2018 £'000s
Balance brought forward and carried forward	4,434	4,434

18. Other reserves

	Capital reserve - realised £'000s	Capital reserve - unrealised £'000s	Capital reserve - total £'000s	Revenue reserve £'000s
Movements in the year ended 30 September 2019				
Gains on investments sold in year (see note 10)	10,294	-	10,294	-
Losses on investments held at year end (see note 10)	-	(6,416)	(6,416)	-
Foreign exchange losses	5	-	5	-
Capital special dividends	459	-	459	-
Management fee (see note 4)	(667)	-	(667)	-
Finance costs (see note 6)	(164)	-	(164)	-
Other capital expenses (see note 5)	(3)	-	(3)	-
Revenue return	-	-	-	13,426
Return attributable to Shareholders	9,924	(6,416)	3,508	13,426
Dividends paid in year (see note 9)	-	-	-	(11,505)
Balance at 30 September 2018	42,324	112,729	155,053	13,194
Balance at 30 September 2019	52,248	106,313	158,561	15,115

Included within the capital reserve movement for the year are £159,000 of transaction costs including stamp duty on purchases of investments (2018: £145,000) and £17,000 of transaction costs on sales of investments (2018: £21,000).

Included within the capital reserve movement for the year is £459,000 (2018: £nil) of dividend receipts recognised as capital in nature.

19. Net asset value per ordinary share

	2019	2018
Net asset value per share - pence	328.99	324.04
Net assets attributable at the year end - (£'000s)	338,149	327,472
Number of ordinary shares in issue at the year end	102,784,268	101,059,268

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

	2019 £'000s	2018 £'000s
Net return on ordinary activities before taxation	16,941	17,631
Adjustments for non-cash flow items, dividend income and interest expense:		
Gains on investments	(3,878)	(6,841)
Foreign exchange movements	(6)	1
Non-operating expenses of a capital nature	3	11
Dividend income receivable	(14,772)	(13,044)
Interest payable	328	446
(Increase)/decrease in other debtors	(6)	5
Increase/(decrease) in other creditors	35	(39)
	(18,296)	(19,461)
Cash outflows from operating activities before dividends received and interest paid	(1,355)	(1,830)

21. Going concern

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

22. Financial Risk Management

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

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

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

22. Financial Risk Management (continued)

(a) Market risks

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

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

A description of derivative positions, which are also exposed to market price changes, together with the Manager's and Board's strategies for using these positions for efficient portfolio management, is contained in this note, under "Other market risk exposures", in the Manager's Report and in the Strategic Report. The exposure on the Company's positions at 30 September 2019 amounted to £nil (30 September 2018 – £nil).

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

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

Currency Exposure

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

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

	At 30 September 2019	2019 Average for the year	At 30 September 2018	2018 Average for the year
Euro	1.130	1.132	1.123	1.130

22. Financial Risk Management (continued)

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

	2019 £'000s	2018 £'000s
Weakening of sterling by 10% against other currencies		
Net revenue return attributable to Shareholders	1	4
Net capital return attributable to Shareholders	404	964
Net total return attributable to Shareholders	405	968
NAV per share – pence	0.39	0.96

	2019 £'000s	2018 £'000s
Strengthening of sterling by 10% against other currencies		
Net revenue return attributable to Shareholders	(1)	(3)
Net capital return attributable to Shareholders	(331)	(788)
Net total return attributable to Shareholders	(332)	(791)
NAV per share – pence	(0.32)	(0.78)

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

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

2019	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditors – other £'000s	Short-term creditors – loans £'000s	Net monetary (liabilities)/assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,155	4,229	(421)	(10,000)	(5,037)	339,547	334,510
Other	120	-	-	-	120	3,519	3,639
Total	1,275	4,229	(421)	(10,000)	(4,917)	343,066	338,149

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

22. Financial Risk Management (continued)

Interest rate exposure

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

	Within one year £'000s	More than one year £'000s	2019 Net total £'000s	Within one year £'000s	More than one year £'000s	2018 Net total £'000s
Exposure to floating rates:						
Cash and cash equivalents	4,229	-	4,229	5,246	-	5,246
Loans	(10,000)	-	(10,000)	(20,000)	-	(20,000)
Net exposure	(5,771)	-	(5,771)	(14,754)	-	(14,754)
Minimum net exposure during the year			(4,555)			(11,904)
Maximum net exposure during the year			(20,092)			(20,378)

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

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

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

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

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

	Increase in rate £'000s	2019 Decrease in rate £'000s	Increase in rate £'000s	2018 Decrease in rate £'000s
Revenue return	(15)	15	(95)	95
Capital return	(100)	100	(200)	200
Total return	(115)	115	(295)	295
NAV per share - pence	(0.11)	0.11	(0.29)	0.29

22. Financial Risk Management (continued)

Other market risk exposures

The portfolio of investments, valued at £343,066,000 at 30 September 2019 (2018: £341,034,000) is exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in the Investment Portfolio by Sector and List of Investments on pages 22 to 25.

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

	Increase in value £'000s	2019 Decrease in value £'000s	Increase in value £'000s	2018 Decrease in value £'000s
Capital return	68,613	(68,613)	68,207	(68,207)
NAV per share – pence	66.75	(66.75)	67.49	(67.49)

(b) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of listed investments held in the Company's portfolio (100% at 30 September 2019 and 100% at 30 September 2018); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see pages 22 to 25); and the existence of an ongoing loan and overdraft facility agreement. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

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

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

	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
2019				
Current liabilities – others	421	-	-	421
Loans	10,000	-	-	10,000
	10,421	-	-	10,421
2018				
Current liabilities – others	390	-	-	390
Loans	20,000	-	-	20,000
	20,390	-	-	20,390

22. Financial Risk Management (continued)

(c) Credit risk and counterparty exposure

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

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

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

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

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

	Balance sheet £'000s	2019 Maximum exposure £'000s	Balance sheet £'000s	2018 Maximum exposure £'000s
Current liabilities				
Derivative financial instruments	-	-	-	-

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

(d) Fair values of financial assets and liabilities

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

(e) Capital risk management

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

Changes to ordinary share capital are set out in note 14, dividend payments in note 9 and details of loans in note 13.

23. Transactions with related parties and Manager

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

There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 38 and as set out in note 5; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 37. There are no outstanding balances with the Board at the year end. Transactions between the Company and the Manager are detailed in note 4 on management fees and the outstanding balance is detailed in note 12.

24. AIFMD

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

The Company's maximum and average actual leverage levels at 30 September 2019 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	101%	103%

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

25. Securities financing transactions ("SFR")

The Company has not, in the year to 30 September 2019 (2018: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

Ten Year Record (unaudited)

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

Assets

at 30 September

£'000s	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assets	180,684	191,427	182,290	203,079	244,708	251,387	256,876	297,027	332,463	347,472	348,149
Loans	14,000	14,000	15,000	7,967	20,000	20,000	20,000	25,000	20,000	20,000	10,000
Net assets	166,684	177,427	167,290	195,112	224,708	231,387	236,876	272,027	312,463	327,472	338,149

Net Asset Value (NAV)

at 30 September

pence	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV per share – pence	199.3	207.9	195.0	222.0	251.4	251.8	250.5	281.1	317.1	324.0	329.0

Total Returns⁽¹⁾

(rebased to 100 at 30 September 2009)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV per share	100.0	108.9	106.2	126.1	148.5	154.3	159.6	186.3	217.7	229.7	242.0
Middle market price per share	100.0	112.3	112.3	128.1	149.1	158.1	162.9	190.0	220.0	231.6	238.8
FTSE All-Share Index	100.0	112.5	107.6	126.1	150.0	159.1	155.5	181.6	203.3	215.3	221.0

Returns excluding dividends⁽¹⁾

(rebased to 100 at 30 September 2009)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NAV per share	100.0	104.3	97.8	111.4	126.1	126.3	125.7	141.0	159.1	162.6	165.1
Middle market price per share	100.0	107.7	103.5	113.3	126.9	129.6	128.6	144.2	161.3	164.3	163.3
FTSE All-Share Index	100.0	108.8	100.7	113.8	130.7	134.1	126.6	142.5	153.7	156.7	154.2

(1) See Alternative Performance Measures page 81 for explanation

Share Price

at 30 September

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Middle market price per share – pence	199.0	214.3	206.0	225.5	252.5	258.0	256.0	287.0	321.0	327.0	325.0
(Discount)/premium to NAV – %	(0.1)	3.1	5.2	1.6	0.4	2.5	2.2	2.1	1.2	0.9	(1.2)
Share price high – pence	202.5	221.3	232.0	227.0	269.0	271.8	277.0	289.8	327.5	350.0	337.0
Share price low – pence	140.0	181.0	199.0	195.0	222.8	248.0	233.8	234.8	274.0	309.5	276.5

Revenue

for the year ended 30 September

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Available for ordinary shares (£'000s)	7,210	6,755	8,341	8,715	9,941	9,575	9,475	10,785	11,459	11,710	13,426
Earnings per share – pence	8.85	8.02	9.75	10.01	11.26	10.56	10.10	11.26	11.71	11.70	13.12
Dividends per share – pence	8.25 ⁽²⁾	8.45	8.65	9.00	9.45	9.85	10.10	10.30	10.65	10.95	11.40

Revenue Performance

rebased to 100 at 30 September 2009

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Earnings per share	100.0	90.6	110.2	113.1	127.2	119.3	114.1	127.2	132.3	132.2	148.2
Dividends per share	100.0	102.4	104.8	109.1	114.5	119.4	122.4	124.8	129.1	132.7	138.2
CPI	100.0	103.3	107.9	110.9	113.8	115.5	115.5	116.3	119.4	122.4	125.0

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

for the year ended 30 September

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expressed as a percentage of average net assets:											
Ongoing charges ⁽³⁾	0.88	0.88	0.82	0.80	0.62	0.66	0.64	0.64	0.59	0.58	0.58

Gearing⁽¹⁾

at 30 September

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net gearing %	7.60	7.05	9.08	1.22	3.81	4.43	10.32	9.32	4.81	4.51	1.71

(1) See Alternative Performance Measures pages 80 and 81 for explanation

(2) Excludes special dividend of 0.40 pence in 2009 as a result of VAT reclaims received from HMRC

(3) Prior to 2011 calculated as TER

Analysis of Ordinary Shareholders (unaudited)

Category	Holding % at 30 September 2019	Holding % at 30 September 2018
BMO Savings Plans	77.9	78.5
Nominees	17.8	17.6
Institutions	3.2	3.1
Direct Individuals	1.1	0.8
	100.0	100.0

Source: BMO GAM.

Notice of Annual General Meeting

Notice is hereby given that the twenty seventh Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Tuesday 11 February 2020 at 11.30 a.m. for the following purposes:

Ordinary Resolutions:

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

1. To receive and adopt the Directors' report and accounts for the year ended 30 September 2019 together with the Independent Auditors' report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2019.
4. To elect Jonathan Cartwright as a Director.
5. To re-elect Steven Bates as a Director.
6. To re-elect Sharon Brown as a Director.
7. To re-elect Clare Dobie as a Director.
8. To re-elect Jane Lewis as a Director.
9. To re-elect Tim Scholefield as a Director.
10. To appoint BDO LLP as auditors to the Company.
11. To authorise the Audit and Management Engagement Committee to determine the remuneration of the auditors.
12. To approve the Company's dividend policy with regard to quarterly payments as set out on page 29 of the Report and Accounts 2019.
13. THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being "**relevant securities**") up to an aggregate nominal amount of £2,569,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2021 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**"); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolutions:

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

14. THAT, subject to the passing of Resolution 13 set out above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority given by the said Resolution 13 above for cash, and/or to sell equity securities which are held by the Company in treasury, during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2021 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the "**relevant period**") up to an aggregate nominal amount of £2,569,000, in each case as if Section 561(1) of the Act did not apply to any such allotment or transfer; save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.
15. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "**Act**"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("**ordinary shares**") on such terms and in such manner as the Directors may from time to time determine, provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 15,407,000;
 - (b) the minimum price which may be paid for an ordinary share shall be 25 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
 - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
 - (e) the authority hereby conferred shall expire on the date which is 15 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

- (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

By Order of the Board

BMO Investment Business Limited,

Secretary

29 November 2019

Registered office:

Exchange House

Primrose Street

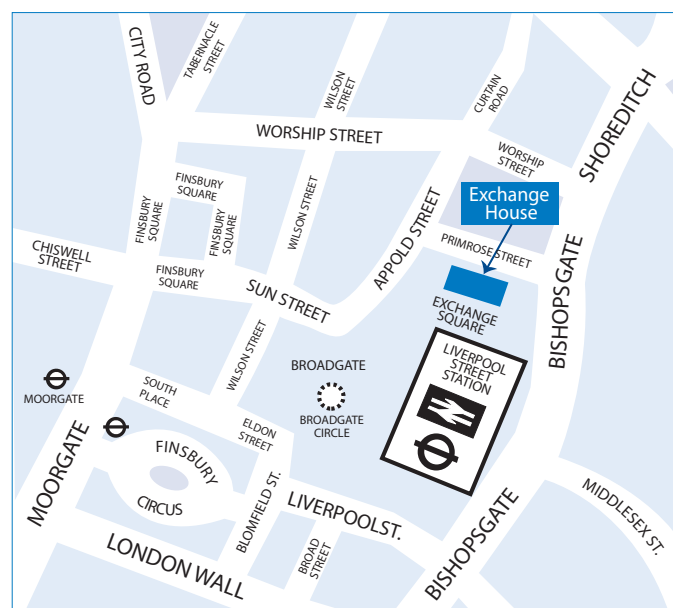
London EC2A 2NY

Registered number: 02732011

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.
2. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
3. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4094. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's Registrar by the deadline for receipt of Forms of Proxy.
4. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website www.eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4094.
5. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 11.30 a.m. on 4 February 2020. Alternatively, voting directions can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 11.30 a.m. on 4 February 2020.

Meeting Location



6. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "Nominated Person") should note that the provisions in notes 1, 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
7. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at close of business on 7 February 2020 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the

- instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
 11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
 12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
 13. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
 - (a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or
 - (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.
 14. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
 15. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
 - (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
 - (b) if the answer has already been given on a website in the form of an answer to a question; or
 - (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
 16. As at 28 November 2019, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 102,784,268 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 28 November 2019 were 102,784,268. No shares are held in Treasury.
 17. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 28 November 2019 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at bmocapitalandincome.com.
 18. Copies of the letters of appointment between the Company and its Directors; a copy of the Articles of Association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.
 19. No Director has a service agreement with the Company.
 20. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
 - (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
 - (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.
 21. Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 31 January 2020, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Information for Shareholders

Net asset value and share price

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

Performance information

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

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. Most UK resident individuals may realise net capital gains of up to £12,000 in the tax year ending 5 April 2020 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,500 in 2019-20 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The fourth interim dividend of 3.75 pence per share is payable on 30 December 2019. From April 2019 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

AIC

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

Electronic communications

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

Common reporting standards

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

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

Registered in England and Wales with Company Registration No 02732011.

How to invest

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

BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2019/20 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*

You can invest up to £4,368 for the tax year 2019/20 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 £4,368 for the 2019/20 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

BMO General Investment Account (GIA)

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

BMO Junior Investment Account (JIA)

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

*The 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 instruction £8 per Trust.

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

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

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

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

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)

Email: info@bmogam.com

EXISTING PLAN HOLDERS:

Call: **0345 600 3030****
(9.00am – 5.30pm, weekdays)

Email: investor.enquiries@bmogam.com

By post: **BMO Administration Centre
PO Box 11114
Chelmsford CM99 2DG**

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre.**



BMO Asset Management Limited

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

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 737510_G19-1804_L56_04/19_UK

Alternative Performance Measures

The Company uses the following Alternative Performance Measures (“APMs”). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. No APMs have been identified or added since the prior year end.

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

		30 September 2019 pence	30 September 2018 pence
Net Asset Value per share	(a)	328.99	324.04
Share price per share	(b)	325.00	327.00
(Discount) or Premium (c = (b-a)/b)	(c)	(1.2%)	0.9%

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

		30 September 2019 £’000	30 September 2018 £’000
Loan		10,000	20,000
Less Cash and cash equivalents		(4,229)	(5,246)
Total	(a)	5,771	14,754
Net Asset Value	(b)	338,149	327,472
Gearing (c = a/b)	(c)	1.71%	4.51%

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

		30 September 2019 £'000	30 September 2018 £'000
Ongoing charges calculation			
Management fees		1,334	1,376
Other expenses		547	519
Broker fee		12	12
Less loan commitment/arrangement fees		(8)	(24)
Less ad-hoc non-recurring expenses		(31)	-
Total	(a)	1,854	1,883
Average daily net assets	(b)	318,985	325,674
Ongoing charges (c = a/b)	(c)	0.58%	0.58%

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

	Net asset value	Share price
NAV/Share Price per share at 30 September 2018 (pence)	324.04	327.00
NAV/Share Price per share at 30 September 2019 (pence)	328.99	325.00
Change in the year	1.5%	(0.6%)
Impact of dividend reinvestments	3.8%	3.8%
Total return for the year	5.3%	3.1%

Glossary of Terms

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

Administrator – State Street Bank and Trust Company.

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

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

AIM – the Alternative Investment Market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



The Directors
BMO Capital and Income Investment Trust PLC
Exchange House
Primrose Street
London EC2A 2NY

29 November 2019

Dear Sirs,

Statement of Reasons connected with ceasing to hold office as Auditors

In accordance with Section 519 of the Companies Act 2006 (the “Act”), we set out below the reasons connected with PricewaterhouseCoopers LLP, registered auditor number C001004062, ceasing to hold office as auditors of BMO Capital and Income Investment Trust PLC, registered no: 02732011 (the “Company”) effective from 11 February 2020.

The reason we are ceasing to hold office is that the Company undertook a tender process for the position of statutory auditor and we mutually agreed with the Audit and Management Engagement Committee not to participate because of the length of our tenure.

There are no reasons for and no other matters connected with our ceasing to hold office as auditors of the Company that we consider need to be brought to the attention of the Company’s members or creditors.

Yours faithfully,

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
T: +44 (0) 2075 835 000, F: +44 (0) 2072 127 500, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Warning to Shareholders – Beware of Share Fraud.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell to you shares that turn out to be worthless or non-existent, or to buy your shares at an inflated price in return for an upfront payment following which the proceeds are never received.

If you receive unsolicited investment advice or requests:





- Check the Financial Services Register from [fca.org.uk](https://www.fca.org.uk) to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority (“FCA”) on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [fca.org.uk/scams](https://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 [fca.org.uk/scams](https://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**.

BMO Capital and Income Investment Trust PLC

Report and Accounts 2019

Registered office:

-  Exchange House, Primrose Street, London EC2A 2NY
-  020 7628 8000 Fax: 020 7628 8188
-  bmocapitalandincome.com
-  info@bmogam.com

Registrars:

-  Computershare Investor Services PLC
The Pavilions, Bridgwater Road
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-  0370 889 4094 Fax: 0870 703 6143
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