BMO UK High Income Trust PLC

Annual Report and Financial Statements 31 March 2021

BMO

Contents

Financial Calendar		
Virtual meeting of shareholders		6 July 2021
Annual General Meeting		27 July 2021
First quarter's distribution paid	(XD Date 1 July 2021)	6 August 2021
Second quarter's distribution paid	(XD Date 7 October 2021)	5 November 2021
Announcement of Interim Results		December 2021
Third quarter's distribution paid	(XD Date 6 January 2022)	4 February 2022
Fourth quarter's distribution paid	(XD Date 7 April 2022)	6 May 2022
Announcement of Annual Results and Posting of Annual Report		May 2022

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your shares in BMO UK High Income Trust PLC please forward this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Company Overview

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

Purpose

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

Investment Objective

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

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

Capital Structure

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

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

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

Visit our website at **bmoukhighincome.com**

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

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

Financial Highlights

5.8%

Yield[1] on Ordinary Shares and B Shares
Distribution yield of 5.8% on Ordinary shares and B shares at 31 March 2021, compared to the yield on the FTSE All-Share Index of 2.9%. Total distributions increased by 1.7% to 5.3p per share compared to the prior year.

+37.4%

NAV total return[1]
Net asset value total return per share for the year was +37.4%, compared to the Benchmark[2] total return of +26.7%.

+40.8%

Ordinary share price total return[1]
Ordinary share price total return per share for the year was +40.8%, compared to the Benchmark total return of +26.7%.

+44.9%

B Share price total return[1]
B share price total return per share for the year was +44.9%, compared to the Benchmark total return of +26.7%.

[1] Yield and total return – See Alternative Performance Measures on pages 89 and 90.

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

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

Summary of Performance

Total Return[1]	Year to 31 March 2021	Year to 31 March 2020
Net asset value per Ordinary share, B share and unit[2]	+37.4%	-21.4%
Ordinary share price	+40.8%	-22.8%
B share price	+44.9%	-25.0%
Unit price	+40.6%	-22.7%
Benchmark[3]	+26.7%	-18.5%

	Year to 31 March 2021	Year to 31 March 2020	% change
Revenue and Distributions			
Distributions per Ordinary share and B share	5.30p	5.21p	+1.7%
Distributions per unit	21.20p	20.84p	+1.7%
Yield[1] – Ordinary share	5.8%	7.5%	
Yield[1] – B share	5.8%	7.7%	
Revenue reserve – per Ordinary share[4]	3.96p	5.68p	

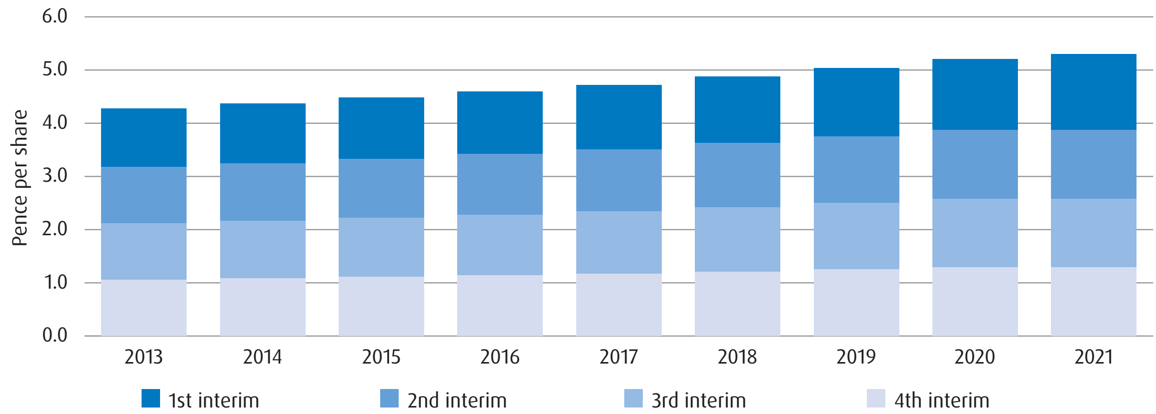
	31 March 2021	31 March 2020	% change
Capital			
Net assets	£115.0m	£89.5m	+28.5%
Net asset value per Ordinary share and B share	99.25p	76.66p	+29.5%
Net asset value per unit	397.00p	306.64p	+29.5%
FTSE All-Share Index	3,831.05	3,107.42	+23.3%
Discount[1]			
Ordinary shares	-7.8%	-9.3%	
B shares	-7.8%	-11.9%	
Units	-8.1%	-11.0%	
Gearing[1]			
Gearing	7.2%	3.4%	
Ongoing Charges[1]			
as percentage of average shareholders' funds	1.04%	0.96%	

[1] Total return, yield, discount, gearing and ongoing charges – see Alternative Performance Measures on pages 89 and 90.
[2] A unit consists of three Ordinary shares and one B share.
[3] Benchmark – see definition on page 2.
[4] Calculated after deducting the fourth interim dividend (which was paid after the year end) from the revenue reserve at 31 March.

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

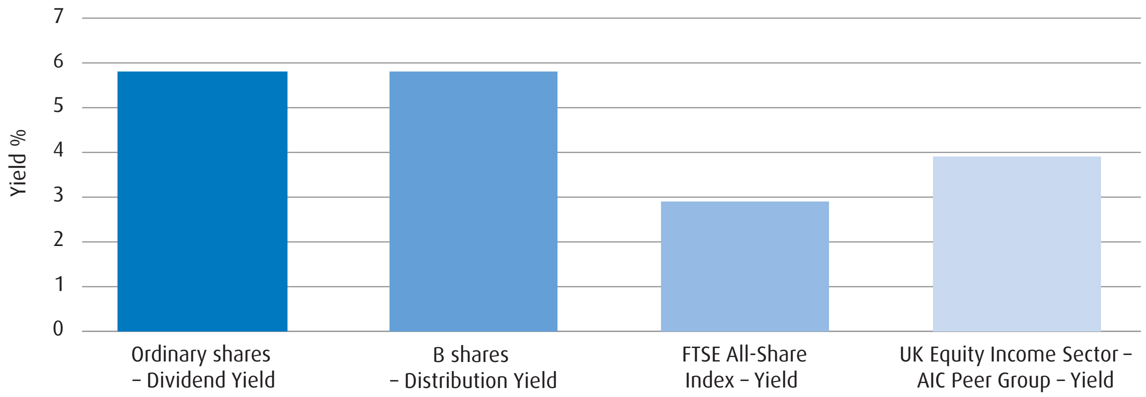
Annual dividends and Capital repayments

Growth in payments to shareholders over last nine financial years



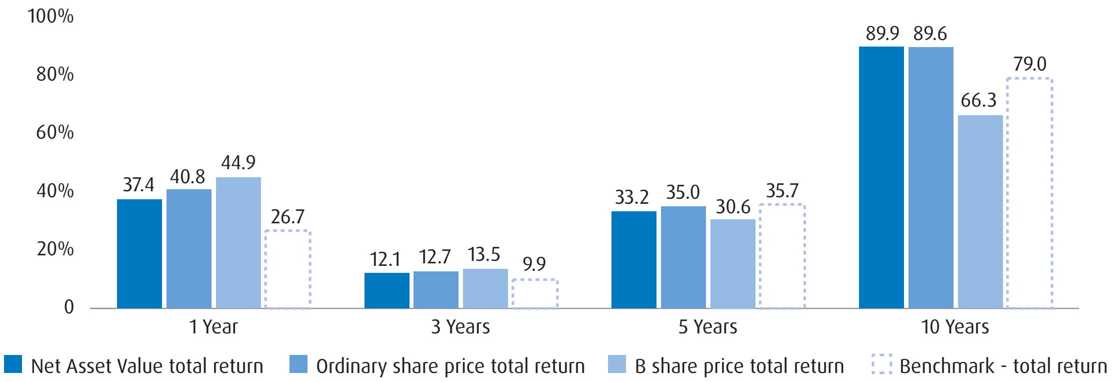
Source: BMO GAM

Distribution yield compared to the Benchmark Index and Peer Group at 31 March 2021



Source: Refinitiv Eikon and AIC

Cumulative Performance to 31 March 2021



Source: BMO GAM and Refinitiv Eikon

Strategic Report

This Strategic Report, which includes pages 5 to 29 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman’s Statement

- Net asset value total return for the financial year significantly ahead of the benchmark index
- Distribution yield of 5.8% on Ordinary shares and B shares at 31 March 2021

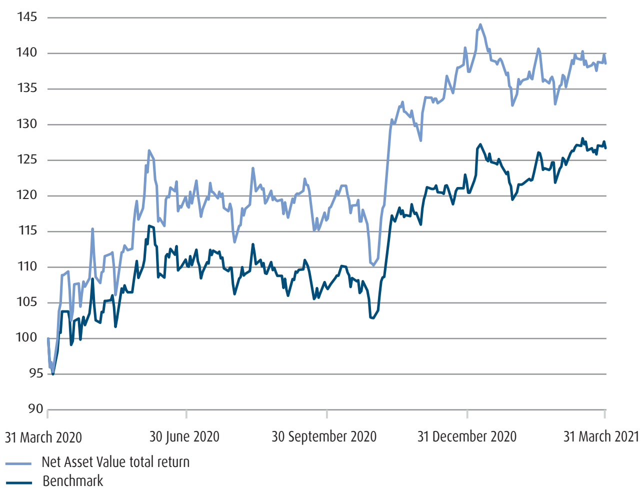
J M Evans Chairman

Performance

I am pleased to report that in the year to 31 March 2021 your Company has produced excellent returns in both absolute and relative terms. The Net Asset Value (‘NAV’) total return was +37.4%, significantly ahead of the total return of +26.7% for the FTSE All-Share Index (the benchmark index).

For the Ordinary shares, the share price total return for the year was +40.8%, greater than the NAV total return as the share price discount to NAV narrowed from 9.3% at the start of the year to 7.8% at the end. For the B shares, the equivalent return was +44.9% and the discount change was from 11.9% to 7.8%.

Performance over one year (%)



The benchmark index marked its 2020 low point on 23 March reflecting, at that time, the significant uncertainty that the COVID-19 pandemic was creating in a period of rapidly rising infection rates in the UK. This coincided with the initial lockdown measures being introduced in the UK and there were major concerns as to the impact that the lockdown might have on economic activity and corporate profitability.

As the above returns would suggest the stock market rallied substantially and in fact out of the 12 months of your Company’s financial year the benchmark index recorded a positive return in eight months and indeed the poorest month saw only a 3.8% decline. It has indeed been an unusual and positive year and perhaps not a level or nature of return that was anticipated 12 months ago.

The recovery in the market which was already well underway was boosted in November and December 2020 by news of successful tests of three separate vaccines and was sustained in January by the outcome of the Brexit negotiations in which a deal was reached and the worst effects of a no deal exit avoided.

Finally as 2021 unfolded it became evident that the vaccination programme in the UK was running to schedule and that a significant proportion of the population, and particularly those in the groups most vulnerable to COVID-19, had been vaccinated and that easing of the lockdown restrictions was once again prudent and possible.

Your Manager supplemented the positive return from the benchmark index by good stock selection and also by the consistent use of the Company’s borrowing facilities adding leverage to the portfolio performance over the period. The Manager comments in detail on the portfolio construction and performance attribution in his report on pages 11 to 13.

Your Board has been in close contact with the Manager throughout what has been, despite the positive returns, an uncertain period and is most encouraged by the return achieved and the consistent approach adopted by the Manager in a period in which working from home has been the norm for all our advisors and service providers.

Dividends and Capital Repayments

Stock markets are forward looking and the substantial capital return generated in the financial year reflects the market anticipating a significant recovery in economic activity and corporate profits as normality returns post lockdown.

Dividends paid by companies are however a lagging indicator and as discussed in my Chairman's statements in the 2020 annual and interim reports, dividends from UK companies have, in aggregate, been substantially reduced when compared to the previous year.

This is reflected in the investment income earned by your Company in the financial year, which has declined from £4.8 million to £3.8 million, a reduction of 22%. Your Board and Manager discussed the revenue position regularly throughout the year. Early in the financial year the Board agreed criteria around which the 2021 dividend would be set. The criteria related to a combination of the earnings for the year, the estimate of earnings for the next financial year to 31 March 2022 and the level of drawdown from revenue reserves that the Board was prepared to approve.

In fact revenue earnings have turned out to be higher than expected and certainly better than the most pessimistic expectations early in the financial year. Consequently, and in line with the Board's criteria, a total dividend of 5.30p per Ordinary share has been paid, an increase of 1.7% on the dividend paid in respect of the year to 31 March 2020. Following this payment the revenue reserve will be £3.4 million, equivalent to 3.96p per Ordinary share or 74.7% of the total annual dividend paid in respect of the year to 31 March 2021.

Given the scale of reduction in UK dividends in 2020, estimated by Link to be down 41.6% year on year, the Board is much encouraged by the Company's revenue return. It is also encouraging that the process that your Manager has been following of moving from being invested in companies with higher dividend yields but likely slower or indeed no growth in those dividends, to companies with lower dividend yields but potentially faster growing dividends, continued during the year. Indeed many of the actions taken by the Manager in this respect in previous years proved prescient as the Company's much reduced holdings in Shell and BP for example, avoided the worst of the severity of the substantial reductions in those companies dividends, which previously were large contributors to our Company's revenue.

A fourth quarter interim dividend and capital repayment of 1.43p per share was paid on 7 May 2021 to Ordinary shareholders and B shareholders respectively, on the register on 6 April 2021. The total dividend/capital repayment for the year to 31 March 2021 represented a yield of 5.8% based on the Ordinary share price and the B share price, both of which were 91.5p as at 31 March 2021.

Share Buy Backs

At the financial year end, the Company's Ordinary share price and B share price both stood at a discount to net asset value of 7.8%. The average discount level at which the Company's Ordinary shares and B shares traded relative to net asset value in the year was 9.7% and 9.2% respectively.

During the year the Company bought back 750,000 Ordinary shares and 150,000 B shares, representing 0.9% and 0.5% of the Ordinary shares and B shares respectively, in issue at the start of the year. The price paid for the Ordinary shares and B shares represented a discount of approximately 11.7% and 11.0% respectively, to the prevailing net asset value at the time of purchase.

Operations

In addition to the impact on financial markets, the COVID-19 pandemic has also impacted the way in which the Manager and other third-party service providers have had to operate, and this has been monitored closely by the Board. From mid-March 2020 the Manager implemented working from home arrangements for its staff as have many of the Company's other third-party service providers. I am pleased that these arrangements have proved very effective and consequently there has been no impact on service delivery or your Company's operations. Board meetings have been held by video conference without disruption and the Board has been in close contact with the Manager throughout this period.

Board Succession

In accordance with the Board's long-term planning, Julia Le Blan will retire as a Director and as Chair of the Audit Committee following the Annual General Meeting on 27 July 2021. Julia was appointed to the Board in January 2011 and has chaired the Audit Committee for the majority of her tenure. I would like to thank Julia for her hard work, enthusiasm and commitment over a period in which the position of Audit Chair has become more demanding as the level of oversight and regulation involved in the Audit has risen and become ever more stringent.

Helen Galbraith, who joined the Board in May 2020, will as planned and previously disclosed, take over as Audit Chair upon Julia's retirement.

Following the AGM, the Board will consist of four non-executive directors each of whom will have served less than 9 years on the Board and will in all respects be considered independent. The Board will thus comply with the best standards of corporate governance.

BMO

Our Manager is part of BMO Global Asset Management which is ultimately owned by the Bank of Montreal. It was announced on 12 April 2021 that Bank of Montreal have agreed to sell its European, Middle East and African (EMEA) asset management activities to AMERIPRISE Inc. This sale is expected to conclude towards the end of 2021. For the UK element of this transaction the new owners will be Columbia Threadneedle. Columbia Threadneedle does not have an Investment Trust business in the UK and the Board has been informed that this will be a welcome addition to its portfolio.

Both companies have confirmed the importance of maintaining the stability and continuity of the teams which presently support your Company but the change of ownership and subsequent developments are issues that the Board will monitor closely in the coming months.

Responsible Investment

Environmental, Social and Governance ('ESG') engagement is an activity in which your Manager has a long and respected record of achievement. ESG considerations lie at the core of your Manager's investment process and the Board receives regular reports on all aspects of ESG interaction. More formal reporting of ESG activity and outcomes is now increasingly required and a section of this report addresses this and appears on pages 19 to 22. The Board and Manager are pleased to be able to share this process with investors in a more formal manner and illustrates the engagement the Manager has had with investments within our portfolio. We would hope that the commitment to ESG principles is demonstrated by the report.

Online Shareholder Meeting and Annual General Meeting

The Annual General Meeting ('AGM') is scheduled to be held on 27 July 2021 at the offices of BMO Global Asset Management, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG at 12 noon.

Mindful of the possibility of continued restrictions due to the COVID-19 pandemic including social distancing measures and restrictions on public gatherings; ongoing Government advice; the possibility that some of these measures may still be in place in July and the desire to provide certainty over arrangements, the AGM will be restricted to the formal business of the meeting as set out in the notice of the Annual General Meeting.

In order to enable interaction and engagement with our shareholders, the Board has decided to hold an interactive online shareholder meeting at 2pm. on 6 July 2021. At this meeting, shareholders will receive a presentation from Philip Webster, the Fund Manager and there will also be the opportunity for a question and answer session with the Fund Manager and your Board. By holding this separate online meeting in advance of the AGM there will be time for shareholders to subsequently lodge their proxy votes having had the opportunity to engage with the Board and Fund Manager and to hear his presentation. I would encourage all shareholders to do so. Online access details for the presentation will be included on the Form of Proxy or Form of Direction or can be obtained by sending an email to UKHITCoSec@bmogam.com.

The formal business of the AGM will be held three weeks later on 27 July 2021. Arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the AGM in order that the meeting may proceed and the business be concluded. The Board considers these arrangements to be in the best interests of shareholders given the current circumstances.

The Board strongly discourages shareholders from attending the AGM and entry will be restricted and/or refused in accordance with the Articles, the Law and/or Government guidance in place at the time of the AGM and/or the venue's security arrangements.

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

Any questions or comments from shareholders who are unable to join the online shareholder meeting may be submitted to the Company Secretary (UKHITCoSec@bmogam.com). These will be relayed to the Board and we will respond in due course.

Outlook

As discussed above stock markets have moved very quickly to discount the recovery that should follow the release of the economy from lockdown and other measures taken to counter the COVID-19 pandemic. Risks still remain and it is far from certain that a third wave of infection will not emerge. The level of stimulus being applied to the UK and in particular US economies is significant and unprecedented. In the UK the level of consumer spending seems set to recover following a protracted period of enforced saving. Your Manager guided the portfolio well through the uncertainty of the past year and the Board is confident that sound stewardship will continue in the hopefully more benign circumstances that we now enjoy.

John M Evans
Chairman
24 May 2021

Purpose, Strategy and Business Model

Purpose and Strategy

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

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

Business Model

BMO UK High Income Trust PLC is a closed-end listed investment company and carries on business as an investment trust. As such, and as it has no employees, the Directors believe that the optimum basis for meeting their duty to promote the success of the Company and achieving its investment objective in the best interests of shareholders is to work closely with its appointed investment management company. The Board has contractually delegated the management of the investment portfolio, and other services, to BMO Investment Business Limited (the '**Manager**'). The Manager is part of BMO Global Asset Management ('**BMO GAM**') which is ultimately owned by the Bank of Montreal ('**BMO**'). Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company's assets, gearing, stock selection and risk management. Engagement on environmental, social and governance ('**ESG**') matters is undertaken by BMO GAM.

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

The Company's Board of non-executive Directors is responsible for the overall stewardship and governance of the Company and how it promotes the success of the Company is set out on pages 23 to 24. The Board currently consists of three male and two female Directors and their biographical details can be found on page 30. The Company has no executive Directors or employees.

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

Alignment of Values and Culture

In addition to strong investment performance from our Manager, we expect it to adhere to the very highest standards of ESG practice and that its values, culture, expectations and aspirations align with our own.

The Board considers the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO GAM has a culture of diversity, collaboration and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs. BMO is an organisation committed to helping establish a more sustainable financial system. A founding signatory to the United Nations Principles for Responsible Investment ('**UNPRI**'), it has achieved the maximum rating of A+ for key areas of its responsible investment approach, including strategy and governance, and ESG incorporation and active ownership in listed equities. In alignment with this culture and the values that we share with BMO GAM, we aim to pursue our strategy and objective through the consistent application of the very highest standards of transparency, corporate governance and business ethics.

Environmental, Social and Governance Impact

The Company's ESG policies, as set out on pages 19 to 22, are aligned towards the delivery of sustainable investment performance over the longer term.

The direct impact of our activities is minimal as we have no employees, premises, physical assets or operations either as a producer or a provider of goods and services, and we do not have customers in the traditional sense. The Company's indirect impact occurs through the businesses in which it invests and the Board seeks to positively influence this through the adoption of BMO GAM's Responsible Investment Approach.

The Manager

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

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

Manager Evaluation

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

Investment Policy

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

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

Managing Risks and Opportunities

We look to make good use of our corporate structure and the investment opportunities that lead to long-term growth in capital and income for our shareholders. These opportunities do not come without risks and so the performance of our Manager is monitored at each Board meeting on a number of levels.

In addition to managing the investments, ancillary functions such as administration, accounting, company secretarial and marketing are also carried out by the Manager. At each board meeting the Manager reports on the investment portfolio, performance and recent portfolio activity, market outlook, revenue and expense forecasts, internal control procedures, any errors and marketing, shareholder and other stakeholder issues, including the price of the Company's shares relative to NAV together with accounting and regulatory updates. The Board also considers compliance with the investment policy, investment restrictions and compliance with borrowing covenants.

Shareholders can assess our financial performance from the Key Performance Indicators ('**KPIs**') that are set out on page 10.

The Company's principal risks and uncertainties that could threaten its objective, strategy and performance, and how the board manages such risks, are set out in detail on pages 25 to 26. The risk of not achieving the Company's objective, or of consistently underperforming its benchmark or competitors, may arise from any or all of inappropriate investment strategy, poor market conditions, the use of gearing, insufficient monitoring of costs and service provider issues.

In addition to monitoring our Manager's performance, commitment, available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include JPMorgan Chase Bank, the custodian and JPMorgan Europe Limited, the depositary in their duties towards the safeguarding of the Company's assets.

The principal policies that support our investment and business strategy are set out on pages 28 to 29. The Chairman's Statement on pages 5 to 7 and the Manager's Review on pages 11 to 13, both of which form part of this Strategic Report, provide a review of the Company's returns and market conditions during the financial year, the position of the Company at the year end, and the outlook for the coming year.

In light of the strategy, investment processes and control environment (relating to both the oversight of the Company's service providers and the effectiveness of the risk mitigation activities), the Board has set out on page 27 its reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Stakeholder Communication and Marketing

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

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

The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. In addition, meetings are held regularly with current and prospective shareholders and analysts covering the investment trust sector.

Under normal circumstances the Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. However, in light of the impact of COVID-19 the Board has made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement on page 7. Through BMO GAM, we also make sure the BMO savings plan investors are encouraged to vote at the AGM in addition to those who hold their shares on the main shareholder register. Details of the proxy voting results on each resolution are published on the website.

The Manager offers a range of private investor savings schemes which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 86.

Key Performance Indicators

The Board recognises that it is the distribution level of the Ordinary shares and B shares together with the longer term share price performance that is most important to the Company's investors. Share price performance is largely driven by the performance of the net asset value.

The Board assesses its performance in meeting the Company's objective against the key performance indicators ('KPIs') (also referred to as Alternative Performance Measures) set out below. Commentary is provided in the Chairman's Statement and the Manager's Review with respect to the performance of the Company during the current year.

Total return[1] performance to 31 March 2021

	1 Year %	3 Years %	5 Years %	10 Years %	
Net asset value per Ordinary share, B share and per unit	37.4%	12.1%	33.2%	89.9%	This measures the Company's share/unit price and NAV total return, relative to the benchmark.
Ordinary share price	40.8%	12.7%	35.0%	89.6%	
B share price	44.9%	13.5%	30.6%	66.3%	
Unit price	40.6%	7.6%	32.9%	84.6%	
Benchmark[2]	26.7%	9.9%	35.7%	79.0%	

Source: Refinitiv Eikon.

Distribution Yield[1] %

Financial year to 31 March	2021 %	2020 %	2019 %	
Ordinary shares	5.8	7.5	5.3	This shows the Company's distribution yield at the year-end relative to the benchmark.
B shares	5.8	7.7	5.3	
Yield-FTSE All-Share Index	2.9	5.5	4.2	

Source: BMO GAM and Refinitiv Eikon.

Average discount[1] to NAV

During the finanial year to 31 March	Ordinary shares %	B shares %	Units %	
2021	-9.7	-9.2	-10.2	This is the average difference between the share/unit price and the NAV per share/unit during the financial year.
2020	-8.5	-8.7	-9.7	
2019	-7.2	-6.9	-7.9	

Source: BMO GAM

Ongoing charges ratio[1]

As at 31 March	%	
2021	1.04	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of average net assets.
2020	0.96	
2019	0.98	

Source: BMO GAM

(1) See Alternative Performance Measures on pages 89 and 90 for explanation.

(2) Benchmark – see definition on page 2.

Manager's Review

"In tumultuous years, such as the one we have just been through, being truly differentiated is a reminder of the benefits of active investment management"

Philip Webster, Fund Manager

The last year has gone down as one of the toughest, and eventful, of my near two decades in the industry. It's not easy to sum up such a tumultuous year given the near total closure of the 'global' economy, an unparalleled liquidity response from governments and the onset of a year of working from home, or in many cases being furloughed.

There have been many twists and turns over the last 12 months. I certainly wouldn't have foreseen another prolonged lockdown, or a second spike in cases that would keep the UK economy shut until April of 2021. I also didn't think I would be entering this year still working-from-home, or that I would have already received my first vaccination. In that regard, the pharmaceutical industry, and their partners, have been relentless in their research and development in the delivery of a number of vaccines. These headline vaccine announcements in November drove a step-change in markets, and a path to recovery. The UK is particularly well placed, delivering one of the fastest vaccination programs in the developed world. With cases and loss of life dropping to pandemic lows, wave one of the opening-up process has already started, which bodes well for additional constraints being lifted thereafter.

At the point of penning my report last year there were so many unknowns. While there still remains several unanswered questions, the line of sight on a recovery is clearer than it was in the middle of 2020.

Paralysis of the system

What struck me most about the crisis was the pace of the initial collapse – 33% (peak to trough for the FTSE All-Share) – in a matter of weeks. Whilst I've witnessed crises before, I have never seen it happen so abruptly and bring with it an impact on '*all my holdings*'. As I stated last year, there were so many unknowns for management teams to deal with and so many uncertainties about the recovery path. Against this backdrop, I must applaud the management teams I spoke to for their dynamism in scenario planning, reshaping businesses and costs, getting staff up and running at home, embracing technology, and continuing to deliver a quality service to their customers. Their communication with the market stepped up significantly and the work taken to position businesses for the recovery, was a major reason for your Company's outperformance in the financial year.

As a closing remark on last year, crises also serve up a reminder of the principles of fund management: buy good quality businesses with strong balance sheets. These simple rules are easy to forget in the good times, but help protect shareholder capital, or at the very least give management teams time to make the right decisions, through these extreme conditions.

Performance

I am extremely pleased at the 37.4% net asset value (NAV) total return, a near 11% outperformance versus the benchmark. This is the culmination of work we have done over several years to improve the quality of the portfolio and differentiate it through concentration. This foundation provided the bedrock for us to make stock specific decisions during the financial year.

When you build concentrated, differentiated strategies, it often doesn't get noticed until periods such as we have just witnessed. While I can talk about the investment portfolio being different, it's only through these extreme events that you really get to see how irrelevant the benchmark has become, and why this is about our individual holdings. There were several legs to the outperformance; cutting some of the weakest sectors pre-Covid (oil & gas and banks), increasing the quality and contrarian views in the mid-cap space, adding to our European exposure and finally taking our technology weight to around 10% of the portfolio.

I don't want to labour a point I've made several times on oil & gas or banks. They are bouncing off their lows, but they have destroyed a lot of capital and cut dividends, in the case of banks to zero. I did, however, want to point out that the UK has a plethora of what I feel are high quality financials, with a sustainable competitive advantage. We own several of these; Brewin Dolphin, Close Brothers and Intermediate Capital Group, a list that isn't exhaustive. Over the last financial year, they have delivered a total return of 49%, 44% and 114% respectively. Over the same period, HSBC, the UK's largest bank by market cap, has delivered -4%. I'm at a loss at times to explain the rationale for owning banks, especially given the names I have mentioned and the returns they have delivered. The three financials in question are the top 3 relative weights in the portfolio, positions I expect to continue to run as I see further growth as the market recovers.

Activity

We also added to several out-of-favour and more cyclical domestic names during the pandemic. These included both our UK housebuilders, Berkeley Group and Vistry Group. Vistry Group is an amalgam of the old Bovis Homes and Linden Homes & Partnerships (acquired from Galliford Try in early 2020). I single this out as it has risen 130% since October, and 32% in March alone. The March performance was buoyed by a solid set of full-year 2020 results, strong trading at the outset of 2021 and a net cash balance sheet that has allowed the resumption of their dividend. The company also guided to a near doubling of the pre-tax profit in 2021, a number which several analysts already feel is conservative. We also added to catering company Compass Group very early on in the pandemic, another name that posted a sharp recovery and is a top 10 position in the portfolio. We have conducted several calls with the management team and remain comfortable that the weaker divisions will recover, outsourcing will accelerate, evidenced by strong customer wins, and margins will recover to pre-Covid levels on a leaner cost base. We have selectively increased our European exposure throughout the year. We have added three names to the portfolio, which I feel are not available in the UK market; Compagnie Financière Richemont ('Richemont'), Deutsche Boerse and Scout 24. The Hut Group was also invested in but is quoted in the UK. Again, several of these were out of favour at the point of initiation: luxury brand owner Richemont and Deutsche Boerse, Europe's leading exchange. Richemont has been a particularly strong performer up 83% over the last financial year driven by strong growth from their jewellery brands Cartier and Van Cleef Arpel. A repositioned watch division is beginning to bear fruit and losses from the Yoox Net a Porter business will ameliorate once the re-platforming of the business is complete.

The final piece of the jigsaw and one which is generally missing from income portfolios, is structural growth technology. These tend to be zero or very low yielders and therefore overlooked by most of my peers. As most of you will know, I have long been an advocate of these 'platforms'. This last year has seen a huge structural shift as we were forced to embrace the online world through prolonged periods of lockdown. Within the investment portfolio are several of the platforms that have benefitted from this trade including Asos (fashion), Just Eat Takeaway and Delivery Hero (food delivery), The Hut Group (beauty/nutrition) and Scout24 (European Rightmove). These represent 10% of the portfolio today and despite the fact there are concerns that growth may slow as markets normalise, the huge structural shift in customer behaviour, in my opinion, won't return to pre-Covid levels.

In conclusion a crisis always provides a good opportunity to continue upgrading the portfolio and to take advantage of opportunities. This opportunity was most evident at the quality end of the curve where valuations have been trading at elevated, if not extreme, levels in some cases.

The Hut Group

I meet companies all day in search of something truly unique, and in 'The Hut Group' (THG), I feel I've found one of those businesses. As a recent IPO, many of you may not have heard of THG, but you could well be familiar with their two main brands. The first is online beauty portal Lookfantastic. It is the largest pure-play online beauty retailer globally, a position they recently strengthened with the acquisition of Dermstore.com in the US. This is a fragmented market in which THG holds a market leading online position with most of the key brands using them as a distribution channel. THG Beauty also owns 9 brands with a vertically integrated infrastructure that has been driven by M&A.

The second brand is THG's nutrition business, 'Myprotein'. This is a similarly integrated business selling products into the Gym and Health & Wellness channels – these include protein powders, vitamins, snacks and ready-to-drink (RTD) products. They have a very strong growth profile in Asia, which is driving significant growth for the division.

The final, and most exciting division is 'Ingenuity'. The internally developed infrastructure that sits behind Lookfantastic and Myprotein is now being sold under their 'Ingenuity' label. It covers almost every element of a direct-to-consumer (D2C) business model. It is relatively early days, but the contribution Ingenuity is making to THG's revenue is growing fast (expected to grow 175% in 2021). As the transition to online retail continues, the platform is highly attractive to companies like Nestle, P&G and Coke. Why? Because THG has already put in the time, energy and expertise into developing their global infrastructure that has a proven track record. The potential of Ingenuity is clear. Nestle's original deal, was for £400,000 but today they are utilising the platform across almost all divisions and now have a £140m 10-year contract. These are compelling numbers and given the lack of direct competitors we believe it's likely that THG will be playing an important and lucrative role in facilitating a shift in how many consumer-focused companies engage and sell to their customers.

Dividends

The Chairman's Statement highlights many of the challenges and successes we have had in mitigating the worst of the dividend cuts.

It was always going to be a tough year as Boards took some very difficult, but in my opinion correct, decisions to protect cash and balance sheets during this unprecedented period.

Calendar 2020 dividends for the FTSE All Share Index fell 44% to £61.9bn, the lowest annual total since 2011. There were some standout statistics: two-thirds of companies cancelled or cut dividends between Q2 and Q4, the financial sector was the worst hit contributing two-fifths of these cuts, and Shell cut its dividend for the first time since World War II.

What was notable was the fact that FTSE 100 payouts fell less than mid and small-caps, down 35% for the year with the latter down 56%. You would expect this to be the case given the diversification and the balance sheet scale you get at the larger end of the market cap spectrum. Given this backdrop, and the significant move we have made to enhance our mid-cap exposure, it is pleasing to have outperformed the market. This plays to the qualities of the business models, and the balance sheets that we have bought. I'm also encouraged by those that have reinstated dividends, or made commitments to, in 2021. We have been cautious in our forecasting of dividends for the financial year to 31 March 2022, but we are encouraged by our initial analysis. Link Asset Monitor are forecasting a range of -1% to +8% growth for calendar year-end 2021, which shows how tough they feel this year will continue to be for dividends.

In such an unprecedented year for dividends, the worst in nearly a decade, the work we have done to improve the quality of the investment holdings has not only driven capital outperformance, but has also mitigated the worst of the fall in dividends. This outperformance, and the pace of the recovery we expect in 2021 allowed us to pay, and raise, the Company's dividend for the 2021 financial year. Maintenance of the dividend, and the current high yield we are paying stand out with most asset classes offering little or no yield. The 5.8% year-end distribution yield was double that of the index at that time.

ESG

While ESG is very much in vogue with the investing community BMO GAM has been a leading proponent of these practices for years.

Our dedicated in-house Responsible Investment team has been driving our engagement with the Company's holdings as we endeavour to lift best-practices of our investee companies. ESG is built into our investment process, identifying the qualities that come with good ESG practices whilst significantly helping to mitigate potential risks, be they financial, operational or reputational.

Whilst the Company is not badged 'responsible' or 'sustainable', the way we build portfolios tilts us towards businesses which have better environmental track records. As you are aware we have exited our oil & gas holdings, we own very few of the big industrial emitters of greenhouse gases which has seen the Company's carbon-footprint improve significantly. We don't stop there as you will see from the case studies on pages 20 and 21. We have pushed hard with Just Eat Takeaway.com to employ best practices on workers' rights, which others have chosen to ignore. We will continue to push the boundaries with the businesses in the investment portfolio in the pursuit of better standards across the ESG spectrum.

Outlook

I don't give forecasts, but there are several reasons to be encouraged about the year ahead. The UK market has, for now it seems, turned the corner and gone from being unloved to loved. The potential was always there, but with Brexit, weak growth, and a value bias (when all the market wanted was growth) there has long been a headwind to investing.

How quickly this has changed, and cash is beginning to flow back into UK equities. There are a few reasons for this, the first being valuation. The UK remains cheap against global equity markets that are at or near all-time highs. Alongside valuations, the UK, as I noted earlier, has also handled the vaccination programme well, which bodes well for the opening of the domestic UK economy. Savings rates have been boosted by the pandemic, and signs from markets that have opened ahead of the UK point to a lot of pent-up demand in the system. This will provide a tailwind to more domestically focused mid-caps, which will be larger beneficiaries of this trade.

From a portfolio perspective, I am also encouraged by the balance we have across our holdings. We have a good mix of businesses that are likely to benefit from the opening-up of trade, a recovering UK economy, and high-growth technology businesses that have seen a structural shift in behaviour. For the first time in years, there feels like a renewed optimism in the UK market with Brexit behind us, an emergence from the pandemic, and valuations that look cheaper than most in the developed world.

Philip Webster
Fund Manager
BMO Investment Business Limited
24 May 2021

Manager's Investment Philosophy and Process

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

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

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

The Investment Process focuses on Three Aspects for Each Company

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

We carry out detailed analysis of all the companies in which we invest, looking in particular at three aspects: the Quality of the company; its Management; and the Valuation of the shares. Amongst the most important issues examined is a thorough assessment of the sustainability of the company's competitive position and returns it can generate, and the ability of the management team and its alignment with shareholders. Integral to our assessment of these factors is an analysis of the Environmental, Social and Governance ('**ESG**') issues that face the Company and its responses to them. More detail is given on pages 19 to 22. Our valuation approach focuses on discounted cash flows, but is pragmatic enough to realise this does not work for all companies in all sectors so other valuation methods are also used.

Before investing, we ascertain that the share price stands at a reasonable discount to an assessment of the intrinsic value of the business, giving us a margin of safety on the investment.

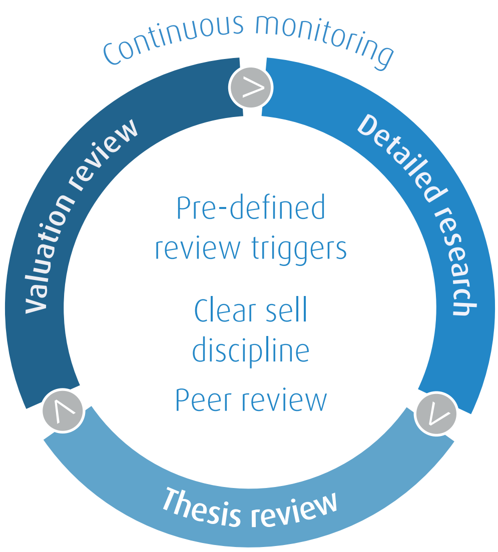
Our research is conducted in-house, which is peer reviewed by the wider investment team prior to any purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. The progress of the company and its share price will then be continually monitored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

Like all investors, we are having to make assessments about the future and take decisions in the face of uncertainty. There is a real possibility of being wrong. We believe that we can mitigate this risk by following this long-term philosophy, emphasising a number of factors: thorough analysis; peer review; the need for a margin of safety on purchase; continual monitoring; and diversification of the investment portfolio.

Reasons to sell can be driven by positive or negative factors – positive, if the value of the company has risen to our assessment of its value, or negative, if the assessment of the company's long-term value deteriorates significantly. An investment may also be sold if, for example, a similar, but cheaper alternative can be found or if the size of the investment position has become larger than is preferred for risk purposes.

Philip Webster
Fund Manager
24 May 2021

Implementation of the Investment Process

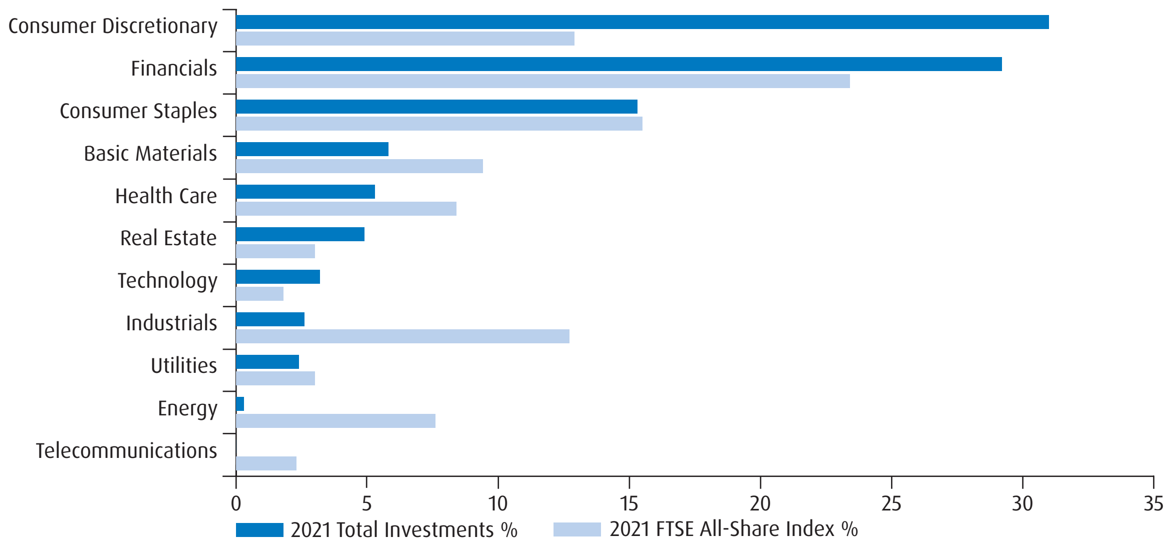


Classification of Investments

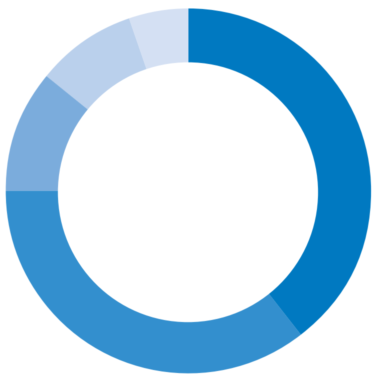
The following table shows, at 31 March 2021, the percentage weightings by sector of the investment portfolio in comparison to the FTSE All-Share Index.

Investment Portfolio by Sector

Sector	2021 % Total investments	2021 FTSE All-Share Index
Consumer Discretionary	31.0	12.9
Financials	29.2	23.4
Consumer Staples	15.3	15.5
Basic Materials	5.8	9.4
Health Care	5.3	8.4
Real Estate	4.9	3.0
Technology	3.2	1.8
Industrials	2.6	12.7
Utilities	2.4	3.0
Energy	0.3	7.6
Telecommunications	0.0	2.3
Total	100.0	100.0



Investment Portfolio analysis by Index as at 31 March 2021



	% of Investment Portfolio
FTSE 100	39.7%
FTSE 250	35.3%
Overseas	11.1%
Non-Index	8.8%
AIM	5.1%
	100%

Source: BMO GAM

Investment Portfolio

At 31 March 2021		
Company	Market Value 31 March 2021 £'000	% of total Investments
British American Tobacco (Consumer Staples – Tobacco) British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products. It is also at the forefront of developing alternatives to traditional tobacco products.	7,691	6.2
Rio Tinto (Basic Materials – Industrial Metals And Mining) Rio Tinto is a diversified international mining company.	7,155	5.8
GlaxoSmithKline (Health Care – Pharmaceuticals & Biotechnology) GlaxoSmithKline is a global manufacturer and marketer of pharmaceutical products.	6,456	5.2
RELX (Consumer Discretionary – Media) RELX is a multinational information and analytics company.	5,981	4.9
Close Brothers Group (Financials – Banks) Close Brothers Group is a niche UK merchant banking group providing lending, wealth management services and securities trading.	5,735	4.7
Intermediate Capital Group (Financials – Investment Banking & Brokerage Services) Intermediate Capital Group is a global alternative asset manager in private debt, credit and equity.	5,613	4.6
Compass Group (Consumer Discretionary – Consumer Services) Compass Group is a multinational contract foodservice company.	5,428	4.4
Brewin Dolphin (Financials – Investment Banking & Brokerage Services) Brewin Dolphin is a British investment management and financial planning company.	5,180	4.2
Berkeley Group (Consumer Discretionary – Household Goods & Home Construction) Berkeley Group is a British property developer and house-builder.	4,708	3.8
Cairn Homes (Consumer Discretionary – Household Goods & Home Construction) Cairn Homes is an Irish house-builder and developer.	4,381	3.6
Ten largest investments	**58,328**	**47.4**

At 31 March 2021			
Company	Sector – Sub Sector	Market Value 31 March 2021 £'000	% of total Investments
Kerry Group	Consumer Staples – Food Producers	4,211	3.4
Phoenix Group Holdings	Financials – Life Insurance	4,022	3.3
ASOS	Consumer Discretionary – Retailers	3,861	3.1
Compagnie Financière Richemont	Consumer Discretionary – Personal Goods	3,765	3.1
Vistry Group	Consumer Discretionary – Household Goods & Home Construction	3,751	3.0
Beazley	Financials – Non-Life Insurance	3,226	2.6
Melrose Industries	Industrials – General Industrials	3,211	2.6
Wizz Air Holdings	Consumer Discretionary – Travel & Leisure	3,197	2.6
Londonmetric Property	Real Estate – Real Estate Investment Trusts	3,085	2.5
Prudential	Financials – Life Insurance	3,075	2.5
Twenty largest investments		**93,732**	**76.1**
Delivery Hero	Consumer Discretionary – Consumer Services	3,055	2.5
Pennon Group	Utilities – Gas, Water And Multi-Utilities	2,995	2.4
Neinor Homes	Real Estate – Real Estate Investment And Services	2,926	2.4
Diageo	Consumer Staples – Beverages	2,592	2.1
Burford Capital	Financials – Finance And Credit Services	2,460	2.0
Legal & General Group	Financials – Life Insurance	2,367	1.9
Imperial Brands	Consumer Staples – Tobacco	2,345	1.9
Deutsche Boerse	Financials – Investment Banking & Brokerage Services	2,319	1.9
Just Eat Takeaway.com	Technology – Software And Computer Services	2,245	1.8
THG PLC	Consumer Staples – Personal Care, Drug And Grocery Stores	2,006	1.6
Thirty largest investments		**119,042**	**96.6**
Jupiter Fund Management	Financials – Investment Banking & Brokerage Services	1,962	1.6
Scout24	Technology – Software And Computer Services	1,654	1.3
BP	Energy – Oil, Gas And Coal	341	0.3
Investors Securities Company Limited	N/A (subsidiary undertaking)	250	0.2
Total investments		**123,249**	**100.0**

Sustainability and ESG

As stewards of more than £125 million of assets, we support positive change. The Company benefits from the Manager's leadership in this field and its £227 billion[1] of assets under its management.

[1] as at 31 December 2020

Copyright:
Just Eat Takeaway.com

Our Approach

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

The Company's compliance with the UK Code of Corporate Governance and the AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 38 to 40. In addition, the Principal Policies statement on pages 28 and 29 includes the Company's policies towards board diversity, integrity and business ethics and prevention of the facilitation of tax evasion.

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

Responsible Ownership

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

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal reporting of wrongdoing, whether within the investee company itself, or involving other parties, such as suppliers, customers, contractors or business partners.

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

ESG and the Investment Process

ESG issues are an integral part of the Manager's investment process, forming part of the assessment of the Quality and Management criteria for possible and ongoing investments. The Manager's ESG teams work closely with the portfolio managers to create an internally generated assessment of the relevant ESG issues for each company. As part of the review process, the Manager will also note if the investment is aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at www.un.org/sustainabledevelopment/sustainable-development-goals/. The Manager's own ESG assessment is cross-referenced against external sources, for example MSCI ESG Research to check it is comprehensive. There are two main outcomes of this research. First, the research is used to initiate discussions with the investee company, to clarify the Manager's understanding of the issues involved, to create a dialogue and to encourage higher standards where appropriate. In this the Manager may join with other major investors in order to be a yet more powerful force to drive change. Secondly, it is used to adjust the Manager's assessment of the weighted average cost of capital for the investee company; this is an important component of the valuation model, such that companies with higher ESG standards will warrant a lower cost of capital and in turn a higher valuation, and vice-versa. In these ways, ESG affects each of the cornerstones of the investment process, Quality, Management and Valuation, as well as driving an ongoing dialogue between the Manager and the investee company.

Portfolio case study

Just Eat Takeaway.com (Just Eat)

Just Eat acts as an online platform connecting restaurants and customers providing takeaway services worldwide. They have been investing in their courier delivery services to broaden their customer proposition across multiple geographies. This sector has a reputation for using 'gig economy' workers, where employee pay and rights have been called into question. Just Eat, however, is looking to build a courier service that offers hourly pay, along with pension contributions, holiday pay, sick pay and maternity or paternity pay offering increased stability to those employees. In addition, the company has joined the battle against plastic waste, working with manufacturers to promote the use of plastic-free alternatives.

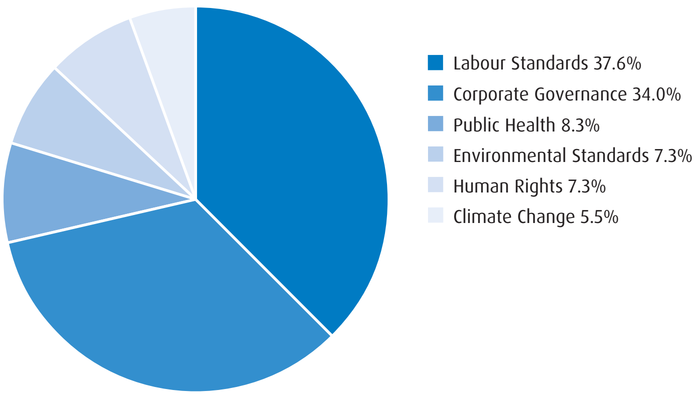
Engagement

During the year ended 31 March 2021, the Responsible Investment team engaged **81** times with management in the Company's portfolio, across **6** countries. The most common topics for discussion were labour standards and corporate governance. Analysis of this engagement follows.

"Responsible investing is a long-term and important commitment for BMO"

Kristi Mitchem, CEO BMO Global Asset Management

2021 engagement analysis



Source: BMO Investment Business Limited

Engagement examples in the reporting period	
Wizz Air – Covid-19	We engaged the company early in the global Covid-19 pandemic to discuss its approach to employee safety and retention. Its operations were already being significantly impacted across Europe at the time of the meeting. Ensuring the equitable treatment of employees throughout the pandemic has been a significant part of our engagement strategy with many companies, including Wizz Air.
Compass Group – Nutrition	We engaged the company in light of negative media coverage relating to the provision of food parcels to disadvantaged school children. Nutrition forms a significant part of the brands core value. During a call with senior management we expressed concerns regarding the quality of the packages and reputational damage resulting from the publicity. We sought to understand what changes would be made to quality assurance processes as a result of the concerns. Corrective action was taken by the company soon after the incident.

Voting on portfolio investments

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

The Manager's statement of compliance with the UK Stewardship Code has been awarded Tier 1 status by the Financial Reporting Council for its Stewardship Code Compliance Statement, the highest possible ranking. The Manager is committed to becoming a signatory to the new UK Stewardship Code 2020 and, as required by the FRC, will report on how it has applied the Code in its Responsible Investment Annual Review in 2021. As the Manager believes that its approach to stewardship is already substantially aligned with many of the expectations of the Code, relevant information is already incorporated in the Annual Review of stewardship activities for 2019, which was published in early 2020.

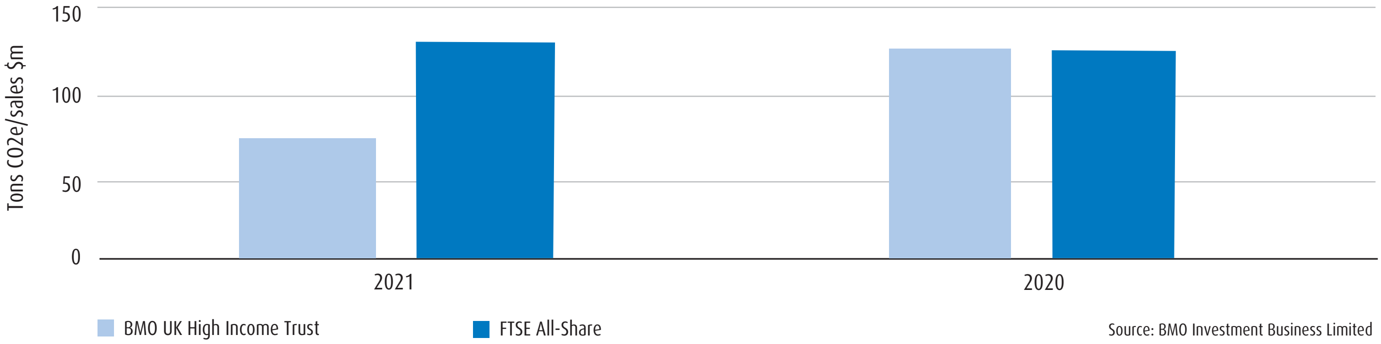
We expect the Company's shares to be voted on all holdings where possible. During the year, the Manager voted at **43** meetings of investee companies held in the Company. The Manager did not support management's recommendations on at least one resolution at approximately **44%** of all meetings. With respect to all items voted, the Manager supported over **94.5%** of all management resolutions. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, the Manager did not support **21%** of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance.

Climate Change

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

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

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



Source: BMO Investment Business Limited

2021

In 2021 the Manager will continue its engagement on climate change and step up its efforts on social issues in light of Covid-19 and the inequalities in society the pandemic has shone a spotlight on. Ethnic diversity and inclusion will be another focus area for engagement, alongside ongoing emphasis on corporate governance matters, including board accountability and executive remuneration.

Promoting the Success of the Company

Section 172 Statement

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

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

As explained on page 8, the Company is an externally managed investment company and has no employees or premises.

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

As set out on page 8, the Board's principal working relationship is with the Manager which is responsible for the management of the Company's assets in line with the investment objective and policy set by the Board. The Manager also provides administrative functions to the Company and acts as the AIFM.

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

While the Company's direct impact on the community and environment is limited, its indirect ESG impact occurs through the businesses in which it invests. The Board gives effect to this through the Manager's Responsible Investment approach which is set out on pages 19 to 22. The Board is very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals ('**SDGs**'). Further information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of shareholders, is set out on page 42.

In addition to the Company's shareholders, Manager and bankers, other key stakeholders include its service providers such as the custodian and depositary, broker and registrar. The Board receives regular reports from the Company's key service providers on an ongoing basis and evaluates them to ensure expectations on service delivery are met.

The Board places great importance on communication with shareholders and further information is set out on page 9.

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

- Dividends/capital repayments.
  The Board recognises that the distribution levels on the Company's shares are important to shareholders. During the financial year, as a consequence of the COVID-19 pandemic, there was a significant reduction in the level of dividends being paid by UK companies which in turn impacted the Company's revenue earnings. However, prudent stewardship in prior years combined with careful stock selection had allowed the Company to build up a revenue reserve. This can be used, as and when required, to supplement revenue earnings to pay dividends in years when there is a shortfall in revenue income. This was the case in the current year, and as part of the Board's decision making process throughout the year the Manager provided the Board with estimates of dividend income for the years to 31 March 2021 and 2022 and the estimated impact upon the revenue reserve, some of which was utilised. Following the payment of the fourth interim dividend and capital repayment with respect to the financial year to 31 March 2021, total dividends/capital repayments will total 5.3p per share. This represents an increase of 1.7% compared to the prior year. When this fourth interim dividend/capital repayment was announced it represented a yield of approximately 5.8% as compared to the yield on the FTSE All-Share Index of 2.9% at that time.

- Board succession plan
  The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the UK Code including guidance on tenure. As such, as part of the ongoing board succession plan; on 6 May 2020 the Board appointed Mrs Helen Galbraith (nee Driver) and Mr Stephen Mitchell as non-executive directors. Their biographies are included on page 30 and the process which was followed is set out on page 41. This recruitment has allowed for the retirement of the longer serving directors while balancing the need to ensure an adequate level of continuity and experience on the Board thereby acting in the best interests of shareholders. Mr James Williams retired following the AGM on 27 July 2020 and Mrs Julia Le Blan will retire following the forthcoming AGM on 27 July 2021.

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

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

- Retail investors
  A significant proportion of the Company's shareholders are retail investors who invest through savings or execution-only platforms including those who invest through the BMO retail savings plans. The Board remains focused with the Manager on the optimal delivery of the Company's investment proposition for the benefit of all shareholders. BMO remains committed to its savings plans and its relationship with its customers and has invested significantly in its offering to enhance the digital experience in order to meet its customers' expectations.

Principal Risks and Uncertainties and Viability Statement

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

A summary of the Company's internal controls and risk management arrangements is included within the Report of the Audit Committee on pages 43 to 46. By means of the procedures set out in that summary, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Any emerging risks that are identified and that are considered to be of significance would be included on the Company's risk radar with any mitigations. These significant risks, emerging risks and other risks are regularly reviewed by the Audit Committee and the Board. Consideration has been given to the impact from Coronavirus (COVID-19) and is referred to in Financial Risk. Additionally, Operational Risk has been expanded to include pandemic risks. It has also regularly reviewed the effectiveness of the Company's risk management and internal control systems for the period.

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

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

Principal Risks and Uncertainties	Mitigation
Financial Risk The Company's assets consist mainly of listed equity securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Since early 2020 there has been increased uncertainty in markets due to the effect of COVID-19 which has led to volatility in the Company's NAV. Climate change is likely to have an impact on some of our investee companies in the coming years potentially affecting their operating models for example, supply chains and energy costs. The effects have yet to be fully understood. **No change in overall risk but due to the impact of COVID-19 this risk remains heightened**	The Board regularly considers the composition and diversification of the Investment Portfolio and considers individual stock performance together with purchases and sales of investments. Investments and markets are discussed in detail at each meeting with the Manager. Engagement on environmental, social and governance matters is undertaken by the Manager. The effect of COVID-19 on the markets and which has contributed to significant volatility is discussed in the Chairman's Statement and Manager's Review. As a closed-end investment trust the Company is not constrained by asset sales to meet redemptions and is well suited to investors seeking longer term returns and to remain invested through volatile market conditions. An explanation of these risks and the way in which they are managed are contained in note 21 to the financial statements.
Investment and strategic risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders including impacting the capacity to pay dividends. **No change in overall risk**	The Company's objective and investment policy and performance against peers and the benchmark are considered by the Board at each meeting. A separate Board meeting is also held each year to consider strategic issues. The Investment Portfolio is diversified and comprises listed securities and its composition is reviewed regularly with the Board. BMO GAM's Investment Risk team provides oversight on investment risk management. Market intelligence is maintained via the Company's broker and the effectiveness of the marketing strategy is also reviewed at each meeting. The Manager also meets with major shareholders. The Board regularly considers ongoing charges combined with underlying dividend income from portfolio companies and the consequent dividend paying capacity of the Company.

Principal Risks and Uncertainties	Mitigation
Regulatory Breach of regulatory rules could lead to the suspension of the Company's Stock exchange listing, financial penalties, or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. Changes to tax regulations could alter the market competitiveness of the Company's B shares. **No change in overall risk**	The Board liaises with advisors to ensure compliance with laws or regulations. The Manager and its Business Risk department provide regular reports to the Board and Audit Committee on their monitoring and oversight of such rules and are reviewed by the Board. This includes the conditions to maintain investment trust status including the income distribution requirement. The Board has access to BMO GAM's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately.
Operational Failure of the Manager's systems or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. This risk includes failures or disruption as a consequence of external events such as the current COVID-19 pandemic. External cyber attacks could cause such failure or could lead to the loss or sabotage of data. **No change in overall risk but due to the impact of COVID-19 on working practices this risk remains heightened**	The Board meets regularly with the management of BMO GAM and its Business Risk team to review internal control and risk reports which includes oversight of third party service providers. The Manager's appointment is reviewed annually and the contract can be terminated with six months' notice. BMO GAM has a business continuity plan in place to ensure that it is able to respond quickly and effectively to an unplanned event that could affect the continuity of its business. BMO GAM has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('**State Street**') and supervision of such third party service providers, including SS&C who administer the BMO savings plans, has been maintained by BMO GAM. This includes the review of IT security and heightened cyber threats. As a consequence of the COVID-19 pandemic and the measures put in place by the UK government, since March 2020 the Manager has implemented working from home arrangements for its staff and in accordance with contingency plans designed to safeguard its employees, continue serving clients and keep operations running effectively and in compliance with its regulatory obligations. The arrangements have operated without incident or interruption. The Manager closely monitored the performance of its technology platform which operated within acceptable control levels. The Company's other third party service providers have also implemented similar arrangements to ensure no disruption to their service. Having considered these arrangements and reviewed the service levels over the last year, the Board is confident that the Company continues to operate as normal and expected service levels will be maintained.
Custody risk Safe custody of the Company's assets may be compromised through control failures by the custodian. **No change in overall risk but due to the impact of COVID-19 on working practices this risk remains heightened**	The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Board also receives periodic updates from the custodian on its own cyber-security controls. The Depositary is specifically liable for loss of any of the Company's assets that constitute financial instruments under the AIFMD.

Viability assessment and statement

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

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

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

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

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance, liquidity and solvency. This included the impact of COVID-19 and the impact of a significant fall in equity markets on the Company's investment portfolio. These risks, their mitigations and the processes for monitoring them are set out on pages 25 and 26 on Principal Risks and Uncertainties, on pages 43 to 45 in the Report of the Audit Committee and in Note 21 of the financial statements.

The Directors have also considered:

- The level of ongoing charges incurred by the Company which are modest and predictable and total 1.04% of average net assets,
- Future revenue and expenditure projections,
- The Company's borrowing and liquidity in the context of the fixed rate loan which is due to mature in September 2022,
- Its ability to meet liquidity requirements given the Company's investment portfolio consists mainly of readily realisable listed equity securities which can be realised to meet liquidity requirements if required,
- The ability to undertake share buybacks if required,
- Whether the Company's objective and policy continue to be relevant to investors and
- The effect of significant future falls in investment values and the ability to maintain dividends and capital repayments, particularly given the impact of the COVID-19 pandemic and its impact on the global economy.

These matters were assessed over a five year period to May 2026, and the Board will continue to assess viability over five year rolling periods. As part of this assessment the Board considered a number of stress tests and scenarios which considered the impact of severe stock market volatility on shareholders' funds over a five year period. The results demonstrated the impact on the Company's net assets and its expenses and its ability to meet its liabilities over that period. A rolling five year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to May 2026.

Principal Policies

Investment Policy

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

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

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

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

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

The Company's Benchmark

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

Gearing Policy

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

The Company's borrowing facilities are described in more detail in the notes to the financial statements and at 31 March 2021 borrowings totalling £11 million had been drawn down.

Dividend/Capital Repayment Policy

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

In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, prevailing inflation rates, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. Dividends can also be paid from capital reserves where the balance on this reserve is positive. At the same time as dividend payments are made to Ordinary shareholders, capital repayments of the same amount are made to B Shareholders from the special capital reserve. Risks to the dividend policy have been considered as part of the Principal Risks and Uncertainties and Viability review on pages 25 to 27 and include financial risks leading to a deterioration in the level of income received by the Company or a significant change to the Company's regulatory environment.

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

In the financial year to 31 March 2022 the Board is strongly minded to try and maintain the annual level of dividend/capital repayment.

Buy-backs/Discount Policy

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

While the Directors will at all times retain discretion over whether or not to repurchase shares, it will be the Company's policy, in the absence of unforeseen or extreme circumstances and subject to the aim of maintaining the Ordinary share: B share ratio within the range (72.5% : 27.5% and 77.5% : 22.5%), to repurchase shares of either class when there are net sellers and the market price stands at a discount to net asset value of 5 per cent or more. The Board may, if it considers it to be in the best interests of the Company, amend this ratio from time to time. However, the Board will always be mindful of any impact on the level of revenue available for the Ordinary shares. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. There is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold at a price not less than the net asset value per Share.

Prevention of the Facilitation of Tax Evasion

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

Taxation

The policy towards taxation is one of full commitment to complying with applicable legislation and statutory guidelines.

The Company has received approval from HMRC as an investment trust under Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") and has since continued to comply with the eligibility conditions such that it does not suffer UK Corporation Tax on capital gains. The Manager ensures that the Company submits correct taxation returns annually to HMRC; settles promptly any taxation due; and claims back, where possible, taxes suffered in excess of taxation treaty rates on non-UK divided receipts.

Board Diversity and Tenure

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

The Board is committed to maintaining the highest levels of corporate governance in terms of independence and once the Board's succession plan is complete would normally expect the Directors to serve for a nine-year term, however this may be adjusted for reasons of flexibility and continuity.

Integrity and Business Ethics

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

The Strategic Report, contained on pages 5 to 29, has been approved by the Board of Directors.

By order of the Board
For BMO Investment Business Limited
Company Secretary
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
24 May 2021

Board of Directors

John Evans, Chairman of the Board and Nomination Committee

Appointed on 8 May 2013 and as Chairman on 9 July 2019. He has worked in the investment management industry for over 40 years. He retired from Aberforth Partners, a specialist investment management firm, in 2011 having been one of its founding partners in 1990.

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

Helen Galbraith (nee Driver)

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

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

Julia Le Blan, Audit Committee Chairman

Appointed on 1 January 2011 and will retire following the AGM on 27 July 2021. She has worked in the financial services industry for over 40 years. She retired from Deloitte in 2009, where she had been a tax partner since 1990.

Other appointments: Julia is currently a non-executive director of Aberforth Smaller Companies Trust plc, JPMorgan US Smaller Companies Investment Trust plc and The Biotech Growth Trust plc.

Stephen Mitchell, Engagement and Remuneration Committee Chairman

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

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

Andrew Watkins, Senior Independent Director

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

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

All Directors are members of the Engagement and Remuneration Committee and Nomination Committee.
All Directors with the exception of John Evans are members of the Audit Committee.
No Director holds a directorship elsewhere in common with other members of the Board.

Report of the Directors

The Directors submit the Annual Report and Financial Statements of the Company for the year to 31 March 2021. The Directors' biographies, Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Engagement and Remuneration Committee, the Report of the Audit Committee and the Directors' Remuneration Report form part of this Report of the Directors.

Statement Regarding Annual Report and Financial Statements

Following a detailed review of the Annual Report and Financial Statements by the Audit Committee the Directors consider that 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. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular. The outlook for the Company can be found on pages 7 and 13. Principal risks and uncertainties can be found on pages 25 and 26 with further information in note 21 to the financial statements.

Results and Dividends

The results for the year are set out in the financial statements on pages 59 to 79. The return to shareholders was £32,319,000.

The Company has paid quarterly interim dividends in the year ended 31 March 2021 as follows:

Interim Dividend payments		
	Payment date	Rate per share
Fourth interim for 2020	1 May 2020	1.34p
First interim for 2021	7 August 2020	1.29p
Second interim for 2021	6 November 2020	1.29p
Third interim for 2021	5 February 2021	1.29p

Dividend payments in the prior year ended 31 March 2020 are set out in note 9 to the financial statements.

A fourth quarter interim dividend of 1.43p per Ordinary share was paid on 7 May 2021 to Ordinary shareholders on the register at close of business on 6 April 2021. This dividend, together with the first three interim dividends paid during the year (each of 1.29p per Ordinary share), makes a total dividend (for the financial year to 31 March 2021) of 5.30p per Ordinary share. This represents an increase of 1.7% over the 5.21p per Ordinary share paid in respect of the previous financial year.

As set out in the Company's dividend/capital repayment policy on page 28, payments are made quarterly and the Company does not currently pay a final dividend that would require formal shareholder approval of the AGM. This enables the fourth interim dividend/capital repayment to be made in May and earlier than would be possible if classed as a final dividend/capital repayment and subject to shareholder approval at the AGM in July.

As an alternative, the Board proposes to seek formal shareholder approval at the AGM, and in future years, to continue quarterly payments (**Resolution 8**).

Principal Activity and Status

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

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

The Company is required to comply with company law, the rules of the Financial Conduct Authority, Disclosure Guidance and Transparency Rules ('**DTRs**') and other applicable legislation and regulations including International Financial Reporting Standards and its own Articles of Association.

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

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited (number: SC140578), a company which deals in investments. In the year to 31 March 2021, Investors Securities Company Limited made a profit before taxation of £nil (2020: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2021 and it has not been consolidated in the financial statements in accordance with section 405 of the Companies Act 2006 on grounds of materiality.

Accounting and Going Concern

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

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

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council (including that due to COVID-19) and have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the COVID-19 pandemic.

Most of the Company's principal risks and uncertainties are market related and comparable to other investment companies investing primarily in listed securities. An explanation of these risks and how they are managed is set out on pages 25 and 26. The Board has, in particular, considered the impact of increased market volatility during the COVID-19 pandemic but does not believe the Company's ability to continue as a going concern is affected.

The Company's investment objective and policy, which is described on pages 8 and 28 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The value of these investments exceeds the Company's liabilities by a significant margin. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is held only with banks approved and regularly reviewed by the Manager.

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

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

The Directors believe having assessed the principal risks and other matters, including the COVID-19 pandemic and in light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets and revenue and expenditure projections, that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company's longer term viability is considered in the 'Viability assessment and statement' on page 27.

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

Statement of Disclosure of Information to the Auditor

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

Re-appointment of Auditor

Deloitte LLP was re-appointed as the Company's auditor at the Annual General Meeting on 27 July 2020 and it has expressed its willingness to continue in office as the Company's auditor. A resolution proposing its re-appointment and authorising the Directors to determine its remuneration will be submitted at the Annual General Meeting (**Resolution 7**).

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

Capital Structure and Voting Rights

The Company's capital structure is explained in the 'Capital Structure' section on page 84 of this Annual Report and details of the share capital, including voting rights, are set out in note 17 to the financial statements. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 March 2021 there were 102,067,144 ordinary shares of 0.1p each listed of which 16,894,491 were held in treasury and 32,076,703 B shares of 0.1p each listed of which 1,367,953 were held in treasury. At 31 March 2021, the total listed share capital of the Company was represented 76.1 per cent by Ordinary shares and 23.9 per cent by B shares.

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

Substantial Interests in Share Capital

At 31 March 2021 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure Guidance and Transparency Rules):

	Ordinary Shares	
	Number held	Percentage held*
1607 Capital Partners, LLC	9,429,500	11.1
D. C. Thomson & Company Limited	7,944,869	9.3
Jupiter Fund Management Plc	4,502,500	5.3
Thomson Leng Provident Fund	3,800,000	4.5

* Based on 85,172,653 Ordinary Shares in issue as at 31 March 2021.

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

* Based on 30,708,750 B Shares in issue as at 31 March 2021.

Since 31 March 2021 the Company received the following notifications of voting rights: 1607 Capital Partners, LLC 8,500,000 Ordinary shares (9.98%) and Jupiter Fund Management Plc, 4,107,500 Ordinary shares (4.82%).

The Company has not received any other notification of any changes in these voting rights and no new holdings have been notified since 31 March 2021 up to the date of this report.

BMO Savings Plans

Approximately 39% of the Company's share capital is held through the BMO savings plans. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the BMO Savings Plans. Instead the nominee company holding these shares votes in line with any voting directions received from the underlying planholders. Where no instruction is received from any underlying planholder, the voting rights attached to their shares will not be exercised.

Borrowings

The Company has drawn down a £7.5 million unsecured term loan from Scotiabank Europe plc with a term to 28 September 2022 at a fixed interest rate of 2.58% per annum. The Company also has a £7.5 million unsecured multicurrency revolving credit facility with Scotiabank (Ireland) Designated Activity Company of which £3.5 million was drawn down at the year-end.

Directors' Remuneration report

The Directors' Remuneration Report, which can be found on pages 47 to 49, provides detailed information on the remuneration arrangements for the Directors of the Company including the Directors' Remuneration Policy. Shareholders will be asked to approve the Annual Report on Directors' Remuneration (**Resolution 2**) at the AGM on 27 July 2021.

At the Annual General Meeting held on 27 July 2020, shareholders approved the Directors' Remuneration Policy and it is intended that this policy will continue for the three year period ending at the AGM in 2023, when shareholders will next be asked for their approval. There have been no material changes to the policy since approved by shareholders at the AGM held on 27 July 2020.

Director re-elections

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

With the exception of Mrs H M Galbraith (nee Driver) and Mr S J Mitchell, who were both appointed on 6 May 2020, all of the Directors held office throughout the year under review.

Mr J P Williams retired from the Board following the AGM on 27 July 2020 and Mrs J Le Blan is not standing for re-election and will therefore retire at the conclusion of the forthcoming Annual General Meeting. As explained in more detail under the Corporate Governance Statement on pages 38 to 40, the Board has agreed that all Directors will retire annually. Accordingly, Mr J M Evans, Mrs H M Galbraith, Mr S J Mitchell and Mr A K Watkins will retire at the AGM and, being eligible, offer themselves for re-election. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below.

- **Resolution 3** relates to the re-election of Mr J M Evans who was appointed on 8 May 2013 and has in-depth knowledge, expertise and experience in investment management.

- **Resolution 4** relates to the re-election of Mrs H M Galbraith who was appointed on 6 May 2020 and has over 20 years' experience in the Insurance and Asset Management industry. She also has relevant accounting experience and is a Chartered Financial Analyst.

- **Resolution 5** relates to the re-election of Mr S J Mitchell who was appointed on 6 May 2020 and has worked in investments for over 40 years most recently as a global equity specialist.
- **Resolution 6** relates to the re-election of Mr A K Watkins who was appointed on 29 June 2017 and has extensive experience and knowledge of investment trusts and the sector having been Head of Client Relations for Investment Trusts at Invesco Perpetual until his retirement in 2017.

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

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

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

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

Directors' Deeds of Indemnity

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

Conflicts of Interest

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

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

Safe Custody of Assets

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

Depositary

JPMorgan Europe Limited (the '**Depositary**') acts as the Company's depositary in accordance with the AIFMD. The Depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include, but are not limited to, cash monitoring, ensuring the proper segregation and safe keeping of the Company's financial instruments that are held by the custodian and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary receives for its services a fee of one basis point per annum on the value of the Company's net assets, payable monthly in arrears.

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

Management and Management Fees

The Manager provides management, secretarial and administrative services to the Company. Details of the contract between the Company and BMO Investment Business Limited in respect of management services provided are given in note 4 to the financial statements. BMO Investment Business Limited is the Company's AIFM, for which it does not receive any additional remuneration.

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

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

Other Companies Act 2006 Disclosures

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

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

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

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chairman's Statement on page 7 and the Manager's Report on page 13.

Environmental, Social and Governance

Details of the Company's Environmental, Social and Governance policies including voting on portfolio investments is set out on pages 19 to 22.

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

Modern Slavery Act 2015

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

Greenhouse Gas Emissions

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

Financial Instruments

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

Annual General Meeting

The Company is required by law to hold an Annual General Meeting and it will be held at Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG on 27 July 2021 at 12 noon. The Notice of Annual General Meeting is set out on pages 80 to 83.

As explained in the Chairman's Statement, due to the possibility of continued restrictions due to the COVID-19 pandemic, the Annual General Meeting on 27 July 2021 will be restricted to the formal business of the meeting.

To help provide certainty over arrangements and to allow interaction and engagement with our shareholders, the Board has decided to hold an interactive online shareholder meeting which will be held at 2 pm on 6 July 2021. At the meeting, shareholders will receive a presentation from the Fund Manager and there will be the opportunity for a question and answer session with the Fund Manager and Board. By holding this separate online meeting in advance of the AGM there will be time for shareholders to subsequently lodge their proxy votes having had the opportunity to engage with the Board and Fund Manager and to hear his presentation. Accordingly the Board is not expecting shareholders to attend the AGM. The Company may in accordance with its Articles of Association, following any such Government guidance and/or in line with the venue's security requirements impose entry restrictions on persons wishing to attend the AGM. All shareholders are strongly encouraged to exercise their votes in respect of the AGM in advance to ensure that their votes are registered and count at the AGM.

Resolutions 9 to 12 are explained below.

Directors' Authority to Allot Shares (Resolutions 9 and 10)

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

Resolution 9 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,258 consisting of 4,258,000 Ordinary shares and new B shares up to an aggregate nominal amount of £1,535 consisting of 1,535,000 B shares, being approximately 5 per cent of the total issued Ordinary shares and B shares (excluding treasury shares) as at 24 May 2021. This authority therefore authorises the Directors to allot up to 5,793,000 shares in aggregate representing approximately 5 per cent of the total share capital in issue (excluding treasury shares).

Resolution 10 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,258 and new B shares up to an aggregate nominal amount of £1,535, being 4.2 per cent and 4.8 per cent of the total issued Ordinary shares and B shares respectively (including treasury shares) as at 24 May 2021, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 5,793,000 shares in aggregate for cash on a non pre-emptive basis representing 4.3 per cent of the total share capital in issue (including treasury shares). These authorities will continue until the earlier of 30 September 2022 and the conclusion of the Company's next Annual General Meeting.

The Directors have no current intention to exercise these authorities and will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in Resolutions 9 and 10 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Directors' Authority to Buy Back Shares (Resolution 11)

At the Annual General Meeting held on 27 July 2020 shareholders gave the Company authority to make market puchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury). During the year to 31 March 2021 the Company purchased through the market for treasury 750,000 Ordinary shares of 0.1p each, representing 0.9 per cent of the Ordinary shares in issue at the previous year end, for a total consideration of £634,000 and 150,000 B shares of 0.1p each, representing 0.5 per cent of the B shares in issue at the previous year end, for a total consideration of £129,000 in accordance with the Company's discount management policy.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and **Resolution 11**, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued Ordinary shares and issued B shares of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than the higher of (a) 5 per cent above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will be purchased with cash and will either be held in treasury or cancelled.

This authority will expire on the earlier of 30 September 2022 and the conclusion of the next Annual General Meeting of the Company.

There were 115,881,403 Ordinary shares and B shares in issue (excluding treasury shares) as at 24 May 2021; of which 73.5 per cent represents Ordinary shares and 26.5 per cent represents B shares. At that date, the Company held 16.6 per cent of the total Ordinary share capital in treasury and 4.3 per cent of the total B share capital in treasury.

The Company therefore in aggregate holds 18,262,444 shares in treasury representing 15.8 per cent of the total share capital in issue (excluding treasury shares).

Treasury Shares (Resolution 12)

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

Resolution 12, if passed, will enable the Company to sell shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to shares representing approximately 8.3 per cent and 9.6 per cent of the Company's issued Ordinary share capital and B share capital respectively (including treasury shares) as at the date of passing of the resolution. The sale of shares from treasury is to be at a price not less than the net asset value per share of the Ordinary shares (in the case of a sale of Ordinary shares) or B shares (in the case of a sale of B shares).

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, they unanimously recommend that all shareholders vote in favour of those resolutions in advance of the Annual General Meeting. The Directors intend to vote in favour of each of the resolutions in respect of their own beneficial holdings of 55,675 Ordinary shares and 5,000 B shares, representing approximately 0.1 per cent. of the issued share capital of the Company as at the date of this document. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting.

Individual Savings Accounts

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

By order of the Board
For BMO Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
24 May 2021

Corporate Governance Statement

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

In maintaining the confidence and trust of the Company's shareholders, the Board sets out to adhere to the highest standards of corporate governance, business and ethics transparency and it remains committed to doing so. As the Board believes that good governance creates value, it expects the companies in which it invests to apply high standards.

Governance Overview

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

As set out in the Strategic Report the Board has appointed the Manager to manage the investment portfolio as well as to carry out the day to day management and administrative functions. Reporting from the Manager is set out on pages 11 to 18 and in the Report of the Audit Committee in respect of internal controls on pages 44 to 45. The Board's evaluation of the Manager can be found on page 42.

The Board has direct access to company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable laws, regulations and best practice requirements are complied with. The proceedings at all Board and committee meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes.

Compliance with the UK Code

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

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

We consider these provisions as not being relevant to the position of the Company, being an externally managed investment company with a Board that has no executive Directors, is composed solely of non-executives and has no employees. Therefore, with the exception of the need for an internal audit function, which is addressed on page 45, we have not reported further in respect of these provisions.

One of the directors (Mrs J Le Blan) has served on the Board in excess of nine years and we explain our tenure policy on page 41 and why we consider her independent on page 34. Mrs J Le Blan will retire following the AGM on 27 July 2021.

We are also adhering to the principles and recommendations of the AIC Code of Corporate Governance (the "**AIC Code**") which can be found on www.theaic.co.uk.

Company Purpose

The Company's purpose, values and culture and the basis on which it aims to generate value over the longer term is set out within the Purpose, Strategy and Business Model on pages 8 to 9. How the Board seeks to promote the success of the Company is set out on pages 23 to 24.

Board Leadership

The Board consists solely of non-executive Directors and Mr J M Evans is the Chairman. The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which is reviewed periodically.

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

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

Division of Board Responsibilities

As an externally managed investment company, all the Directors are non-executive and there are no employees. Mr J M Evans, as

Chairman, is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of matters in conjunction with the Company Secretary. There is a strong working relationship with BMO GAM and the Fund Manager and related personnel attended the meetings throughout the year and reported to the Board. Discussions were held in a constructive and supportive manner with appropriate challenge and strategic guidance and advice from the Board whenever necessary consistent with the culture and values.

Following the retirement of Mr J P Williams on 27 July 2020, Mr A K Watkins was appointed the Senior Independent Director and he acts as an experienced sounding board for the Chairman or as an intermediary for shareholders. He also leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors, may at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was taken during the year under review. The Company maintains appropriate directors' and officers' liability insurance.

Full details of the duties of Directors are provided at the time of appointment. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Company Secretary and other parties, including the AIC. All of the Directors consider that they have sufficient time to discharge their duties.

All Directors are considered by the Board to be independent of the Company's Manager and the Board believes that each Director is independent in character and judgement and that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director.

Directors' attendance during the year ended 31 March 2021

	Board of Directors	Audit Committee	Engagement and Remuneration Committee	Nomination Committee
No. of meetings	5	2	1	1
J M Evans	5	n/a	1	1
H M Galbraith[1]	5	2	1	1
J Le Blan	5	2	1	1
S J Mitchell[1]	5	2	1	1
A K Watkins	5	2	1	1
J P Williams[2]	2	1	1	1

[1] Appointed on 6 May 2020

[2] Retired on 27 July 2020

During the year, additional meetings were also held to approve the interim dividends and capital repayments.

Composition and Succession

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

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

Mrs J Le Blan has now served on the board for more than nine years and at the start of the financial year the Nomination Committee completed a recruitment process as part of the Board's succession plan to enable the retirement of the longer serving Directors while balancing the need to ensure an adequate level of continuity and experience on the Board. The Report of the Nomination Committee on page 41 sets out the process carried out in respect of the appointments of Mrs H M Galbraith and Mr S J Mitchell as non-executive Directors of the Company. Mrs J Le Blan will retire following the forthcoming Annual General Meeting.

Board Evaluation and Effectiveness

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

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

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

Audit, Risk and Internal Control

The Board has established an Audit Committee the report of which is set out on pages 43 to 46. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed and how the Board satisfies itself on the integrity of financial statements. The report also covers the process under which the Board satisfied itself that the Annual Report and Financial Statements presents a fair balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. In the current year this also included the assessment of the operational risks posed by COVID-19 and the implementation of contingency plans by the Manager and other third party service providers. Details of the principal risks and uncertainties are set out on pages 25 to 26 and further information on the Company's risk management and internal control framework can be found on pages 43 to 45.

Relations with Shareholders and Stakeholders

Communication with the Company's key stakeholders, who are its shareholders, the Manager, bankers and other key service providers is set out on page 9.

Remuneration

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

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

Share Capital and Companies Act 2006 Disclosures

Details of the Company's capital structure is set out on page 84 and details of substantial interests in the Company's share capital and other Companies Act 2006 Disclosures are included on pages 33 and 35.

By order of the Board
For BMO Investment Business Limited
Company Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
24 May 2021

Report of the Nomination Committee

Composition of the Committee

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

Role of the Committee

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

The Committee met on one occasion during the year and considered and reviewed the following matters:

- the size of the Board and its composition, particularly in terms of succession planning and the experience and skills of individual Directors and diversity of the Board as a whole;
- tenure;
- the criteria for future Board appointments and the methods of recruitment, selection and appointment; and
- future retirement of Directors.

Diversity and Tenure

The Company's Board diversity and tenure policy is shown on page 29 and recruitment searches are open to a diverse range of candidates. The Directors have not set any measurable objectives in relation to diversity of the Board and will always appoint the best person for the role.

The Board believes that a Director's tenure does not necessarily reduce his or her contribution or ability to act independently and that continuity and experience can add significantly to the strength of investment trust boards where the characteristics and relationships tend to differ from those of other companies. However, the Board is committed to maintaining the highest levels of corporate governance in terms of independence and would normally expect the Directors to serve for a nine-year term, however this may be adjusted for reasons of flexibility and continuity.

Appointments and Succession Planning

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

At the start of the financial year to 31 March 2021, two of the non-executive directors had served on the board for more than nine years and a search for new directors was completed. An external search agency Nurole (which has no connection to the Company or the directors), was engaged to assist with this process. The Committee defined the criteria that was required and the selection process took into consideration the applications through the Nurole platform and interviews with the short listed candidates.

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

Mr J P Williams retired following the Annual General Meeting held on 27 July 2020 and it has been agreed that Mrs J Le Blan will retire following the conclusion of the forthcoming Annual General Meeting to be held on 27 July 2021. Mrs H M Galbraith will become the Chair of the Audit Committee when Mrs J Le Blan retires and the past financial year has provided a period of overlap regarding this role.

Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on pages 39 and 40. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

John M Evans
Chairman of the Nomination Committee
24 May 2021

Report of the Engagement and Remuneration Committee

Composition of the Committee

The Committee comprises the full Board and following the retirement of Mr J P Williams on 27 July 2020 is chaired by Mr S J Mitchell. Its terms of reference can be found on the website at bmoukhighincome.com

Role of the Committee

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

The Committee met on one occasion during the year.

Manager Evaluation Process and Re-appointment

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

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

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

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

Review of Directors' Fees

The Company Secretary, BMO Investment Business Limited, provides information on comparative levels of Directors' fees in advance of the Committee considering the level of Directors' fees. Following a review for the forthcoming year to 31 March 2022 the Committee concluded the amount paid to Directors would increase by, £4,500 per annum for both the Chairman and Audit Committee Chairman and by £2,500 per annum for each of the other Directors.

Committee Evaluation

The activities of the Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as summarised on pages 39 and 40. The conclusion from the process was that the Committee was operating effectively, with the right balance of experience and skills.

Stephen J Mitchell
Chairman of the Engagement and Remuneration Committee
24 May 2021

Report of the Audit Committee

Composition of the Committee

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

The Audit Committee is chaired by Mrs J Le Blan who is a chartered accountant and has recent and relevant financial experience. The Audit Committee operates within clearly defined terms of reference and comprises the full Board, with the exception of Mr J M Evans who is Chairman of the Board. These directors have a combination of relevant financial, investment and business experience and specifically with respect to the investment trust sector and accordingly have sufficient experience to discharge their responsibilities. Details of the members can be found on page 30 and the Committee's terms of reference are available on the Company's website bmoukhighincome.com.

The performance of the Committee was evaluated as part of the Board appraisal process.

Role of the Committee

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

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

- the annual and half-yearly results announcement, and annual and half-yearly reports and financial statements;
- the accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- the principal risks and uncertainties faced by the Company and the effectiveness of the Company's internal control and risk management environment, including consideration of the assumptions underlying the Board's statement on viability;
- the effectiveness of the external audit process and the independence and objectivity of Deloitte as auditor, it's re-appointment, remuneration and terms of engagement;
- the policy on the engagement of Deloitte to supply non-audit services and approval of any such services;
- the implications of proposed new accounting standards and regulatory changes;
- the need for the Company to have its own internal audit function;
- the receipt of ISAE/AAF and SSAE16 reports or their equivalent from the Manager, the Custodian and other significant third party service providers;
- whether the Annual Report and Financial Statements as a whole is fair, balanced and understandable; and
- the operational arrangements and performance of the Manager and other thrid party source providers in terms of business continuity during the COVID-19 pandemic.

During the preparation of both the half-yearly report for the six month period ended 30 September 2020 and the annual report and financial statements for the year ended 31 March 2021 the Committee has considered the impact of the COVID-19 pandemic upon the risks, operations and accounting basis of the Company. As noted within Principal Risks and Uncertainties and Viability Statement on pages 25 and 26 the Directors have reviewed the risk register of the Company and agreed that the overall risk from some of its principal risks remain heightened as a consequence of the pandemic. The Committee has noted that the Manager has implemented working from home arrangements for its staff and the Company's other third party service providers have also implemented similar arrangements to ensure no disruption to their service and is confident that the Company continues to operate as normal with service levels maintained.

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

Risk Management

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

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

A key risk "radar" summary is produced to help 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 reasons for any changes.

The Company's principal risks and uncertainties and their mitigations are set out on pages 25 and 26 with additional information provided in note 21 to the financial statements. The integration of these risks into the consideration of the Viability Statement on page 27 was also fully considered and the Audit Committee concluded that the Board's Statement was soundly based. The period of five years was also agreed as remaining appropriate for the reasons given in the Statement.

Internal Controls

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

The Audit Committee has reviewed and reported to the Board on these controls which aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable.

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

At each Board meeting, the Board monitors the investment performance of the Company in comparison to its objective and relevant equity market indices. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investments guidelines and, if appropriate, approves changes to such policy and guidelines.

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

The assessment included a review of the BMO GAM risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/06 for the year to 31 October 2020 (the '**ISAE/AAF Report**') that has been prepared for its clients. The Audit Committee also received confirmation from BMO GAM that subsequent to this date, there had been no material changes to the control environment. The ISAE/AAF Report contained an unqualified opinion from independent reporting accountants KPMG LLP, and sets out BMO GAM's control environment and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Board Meeting by the Manager, including those relating to the administration of the BMO savings plans and related complaint levels. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were identified in the year under review nor to the date of this report.

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

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

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

The Audit Committee has reviewed the need for an internal audit function. Based on review, observation and enquiry, the Audit Committee has concluded that the systems and procedures employed by the Manager, together with the Manager's internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. In addition, the Company's financial statements are audited by an external auditor. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

Significant Matters Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
Valuation of Investment Portfolio	
Possibility of incorrect valuation of the investment portfolio, including failure to assess stock liquidity appropriately.	The Company's accounting policy is stated in note 1 to the financial statements. The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2020, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity securities. BMO GAM has provided further assurance that controls have operated satisfactorily since that date.
Misappropriation of Assets	
Misappropriation or non-existance of the Company's investments or cash balances could have a material impact on its net asset value per share.	The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as referred to overleaf, which is reported on by independent external accountants and which details the controls around the reconciliation of the Manager's records to those of the custodian. The Audit Committee also reviewed the custodian's semi-annual internal control report, which is reported on by independent external accountants, and which provides details regarding its control environment. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 March 2021.
Income Recognition	
Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover.	The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as previously referred to, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of all special dividends received with the Manager.
Investment Trust Tax Status	
As an investment trust company, the Company is exempt from taxation arising on capital gains. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.	The Audit Committee reviewed the Company's ongoing compliance with the investment trust conditions set out in section 1158 of the Corporation Tax Act 2010. In particular, the Audit Committee ensured that the retained revenue after tax for the year was less than 15 per cent of the Company's total income.

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

External Audit Process and Significant Matters Considered by the Audit Committee

In carrying out its responsibilities, the Audit Committee has considered the planning arrangements, scope, materiality levels and conclusions of the year end 31 March 2021 external audit.

The Audit Committee met in May 2021 to discuss the draft Annual Report and financial statements, with representatives of Deloitte and BMO GAM in attendance and Deloitte presented their year-end report to the Audit Committee. At the conclusion of the audit Deloitte did not report any audit differences in excess of their reporting threshold of £0.06 million, nor any differences below that level which would warrant disclosure on qualitative grounds. In addition Deloitte did not highlight any other issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Deloitte issued an unqualified audit report which is included on pages 51 to 58. The significant issues considered by the Audit Committee, are discussed in the preceding table.

Non-audit Services

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

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

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

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. Deloitte did not receive any fees for non-audit services during the year (2020: £nil).

Auditor Assessment, Independence and Re-appointment

The Audit Committee reviews the re-appointment of the auditor every year and has been satisfied with the effectiveness of Deloitte's performance on the audit just completed.

As part of the review of auditor independence and effectiveness, Deloitte has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Deloitte, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that Deloitte continues to provide effective independent challenge in carrying out its responsibilities.

Following professional guidelines, the audit partner rotates after five years. Andrew Partridge, the current senior statutory auditor was engaged for the first time during the year ended 31 March 2018. The Audit Committee also considered the evaluation of Deloitte's audit performance through the Audit Quality Review performed by the Financial Reporting Council. Deloitte's fee for the audit (excluding VAT) was £30,000 (2020: £26,000). On the basis of this assessment, the Audit Committee has recommended the re-appointment of Deloitte to the Board.

Julia Le Blan
Chairman of the Audit Committee
24 May 2021

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 March 2021, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

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

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

Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should be set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole, their responsibilities, duties and time commitment required and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings, including those treated as a benefit in kind subject to tax and national insurance.

The Company has not received any direct communications from its Shareholders in respect of the levels of Directors' remuneration. It is intended that the policy will continue for the three year period ending at the AGM in 2023.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. Following the approval of the amendments which were proposed to the Articles of Association at the AGM on 27 July 2020 the present limit is £175,000 per annum in aggregate and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

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

The dates on which each Director was appointed to the Board are set out under their biographies on page 30. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire periodically and, if they wish, to offer themselves for re-election by shareholders, at least every three years after that. However, in accordance with the recommendations of the UK Code and the AIC Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. All the directors were last elected/re-elected at the AGM held on 27 July 2020 and with the exception of Mrs J Le Blan will stand for re-election at the AGM on 27 July 2021. There is no notice period and no provision for compensation upon termination of appointment.

Voting at Annual General Meeting on Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 27 July 2020. 97.0 per cent of votes were in favour of the resolution and 3.0 per cent of votes were against.

Annual Statement

As Chairman of the Engagement and Remuneration Committee, I confirm that throughout the year to 31 March 2021 Directors fees were unchanged.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year, in comparison to comparable investment trusts, the Engagement and Remuneration Committee concluded that effective 1 April 2021 the amount paid to Directors should increase by £4,500 per annum for both the Chairman and Audit Committee Chairman and by £2,500 per annum for each of the other Directors.

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

	31 March 2022 £	31 March 2021* £
Chairman	39,000	34,500
Audit Committee Chairman	32,500	28,000
Director	26,000	23,500

* Actual Directors' fees for the year ended 31 March 2021

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 March 2021 and 2020 and can expect to receive the fees indicated for 2022 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)

	Fees (audited)			Taxable Benefits[1] (audited)			Total (audited)			Anticipated Fees[2]
Director	31 March 2021 £	31 March 2020 £	% change	31 March 2021 £	31 March 2020 £	% change	31 March 2021 £	31 March 2020 £	% change	31 March 2022 £
J M Evans (Chairman)[3]	34,500	31,550	+9.4	468	3,924	-88.1	34,968	35,474	-1.4	39,000
H M Galbraith[4]	21,230	n/a	n/a	–	n/a	n/a	21,230	n/a	n/a	30,460
J Le Blan	28,000	28,000	0.0	–	–	0.0	28,000	28,000	0.0	10,529
I A McLaren[3]	n/a	9,476	n/a	n/a	1,923	n/a	n/a	11,399	n/a	n/a
S J Mitchell[4]	21,230	n/a	n/a	–	n/a	n/a	21,230	n/a	n/a	26,000
A K Watkins	23,500	23,500	0.0	–	–	0.0	23,500	23,500	0.0	26,000
J P Williams	7,613	23,500	-67.6	–	1,099	-100	7,613	24,599	-69.1	n/a
Total	136,073	116,026	+17.3	468	6,946	-93.3	136,541	122,972	+11.0	131,989

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

(2) Fees expected to be payable to the Directors during the year ended 31 March 2022. Taxable benefits are also anticipated but are not currently quantifiable. (The anticipated fees reflect that J Le Blan will retire following the forthcoming AGM and H M Galbraith will then become the Audit Committee chairman)

(3) J M Evans was appointed as chairman on 9 July 2019, following the retirement of I A McLaren.

(4) Appointed as non-executive director on 6 May 2020.

Relative Importance of Spend on Pay

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

	31 March 2021 £	31 March 2020 £	Change %
Aggregate Directors' Remuneration[1]	136,073	116,026	+17.2
Management fee and other expenses	1,050,000	1,107,000	-5.1
Distributions paid to Shareholders	6,070,000	6,047,000	+0.4
Aggregate cost of shares repurchased	763,000	486,000	+57.0

(1) As part of the Board's succession plan the number of directors increased during the year but will reduce to four Directors following the AGM on 27 July 2021.

Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the shares of the Company at 31 March 2021 (all of which were beneficially held) were as follows:

	31 March 2021		1 April 2020	
Director	Ordinary Shares	B Shares	Ordinary Shares	B Shares
J M Evans (Chairman)	15,000	5,000	15,000	5,000
H M Galbraith	12,000	–	n/a	n/a
J Le Blan	6,000	–	6,000	–
S J Mitchell	12,675	–	n/a	n/a
A K Watkins	10,000	–	10,000	–

There have been no changes in any of the Directors' interests in the shares of the Company between 31 March 2021 and 24 May 2021.

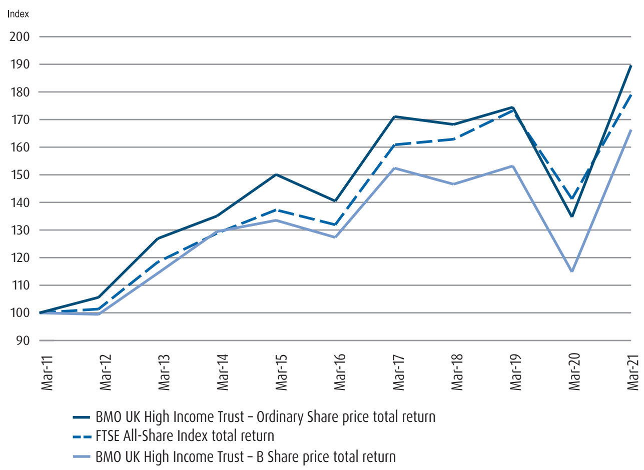
Company Performance

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

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

The graph below compares, for the required ten year period to 31 March 2021, the total return (assuming all dividends and capital repayments are reinvested) to Ordinary shareholders and B shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that up to 25 per cent. of the Company's assets were held in higher yielding securities during part of this period.

Share Price Total Return and the FTSE All-Share Index Total Return Performance Graph (rebased to 100 at 31 March 2011)



Source: Refinitiv Eikon

Voting at Annual General Meeting on Annual Remuneration Report

At the Company's last Annual General Meeting, held on 27 July 2020, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2020. 97.1 per cent of votes were in favour of the resolution and 2.9 per cent were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting (**Resolution 2**).

On behalf of the Board
Stephen J Mitchell
Director
24 May 2021

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements is published on the bmoukhighincome.com website which is maintained by BMO GAM. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of the Company's website and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

On behalf of the Board
John M Evans
Chairman
24 May 2021

Independent Auditor's Report

to the members of BMO UK High Income Trust PLC

Report on the audit of the financial statements

1. Opinion

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

- **give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was valuation and ownership of quoted investments.
Materiality	The materiality that we used in the current year was £1.15m which was determined on the basis of 1% of net assets at 31 March 2021.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach for the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the Directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the relevance and reliability of underlying data and key assumptions, such as cash flows and liquidity assumptions used in the prepared forecasts;
- evaluated management's plans for future actions in relation to their going concern assessment;
- assessing market altering factors such as COVID-19 by looking at the operational impact; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

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

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

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

5. Key audit matters

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

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

5.1 Valuation and Ownership of quoted investments

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
The quoted investments of the Company of £123.0m (2020: £92.3m) make up 106.9% of total net assets of £115.0m (2020: £89.6m) as at 31 March 2021. Please see accounting policy 1 (investments) and note 11 to the financial statements. Quoted investments are valued at the closing bid price at the year end. The financial reporting process is outsourced to BMO Investment Business Limited ("the Manager"), who have in turn delegated certain accounting responsibilities to State Street Bank and Trust Company ("State Street"), who maintain the underlying accounting records for investment transactions and related balances. The safeguarding of the assets has been outsourced to JP Morgan Chase Bank ("JP Morgan"). There is a risk that the quoted investments may not be valued correctly or may not represent the property of the Company.	We have performed the following procedures to test the valuation and ownership of investments at 31 March 2021: • obtained an understanding of key controls at the Manager ("BMO") and the Administrator ("State Street") over the ownership and valuation of quoted investments; • agreed 100% of the Company's quoted investment portfolio at the year end to confirmations received directly from the custodian ("JP Morgan"); and • agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. In addition we have: • tested the recording of a sample of purchases and sales of quoted investments by agreeing the transactions to supporting documentation and tracing the cash movements to bank statements; and • evaluated the completeness and appropriateness of disclosures in relation to fair value measurements.	Based on the work performed we concluded that the valuation and ownership of quoted investments is appropriate.

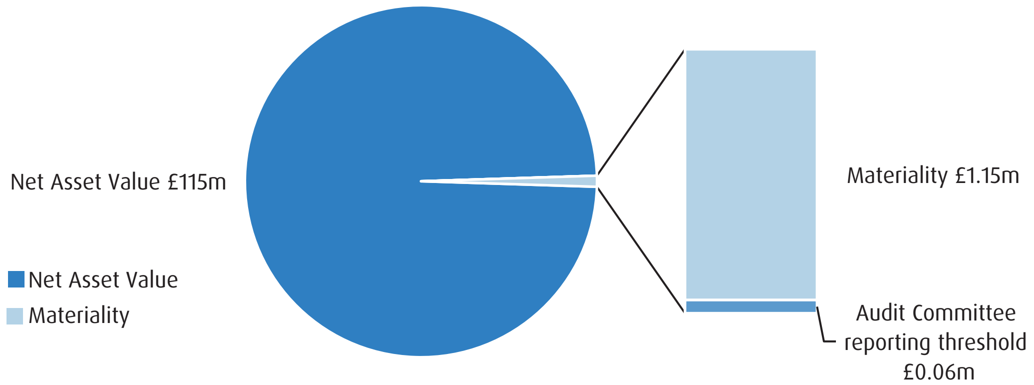
6. Our application of materiality

6.1 Materiality

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

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

Materiality	£1.15m (2020: £0.90m)
Basis for determining materiality	1% of net assets (2020: 1% of net assets).
Rationale for the benchmark applied	Net assets has been selected as it is considered the most relevant benchmark for investors and is the key driver of shareholder value.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

i. the quality of the control environment and the impact of COVID-19 on the control environment;

ii. management have expressed willingness to investigate and correct any known misstatements, if applicable; and

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £57,000 (2020: £45,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. As described in Note 1 to the financial statements, the Company does not prepare group accounts and as such our audit was scoped for the Company only.

7.2. Our consideration of the control environment

The financial reporting process is outsourced to BMO Investment Business Limited ("the Manager"), who have in turn delegated certain accounting responsibilities to State Street (Global Fund Accounting), who maintain the underlying accounting records for investment transactions and related balances.

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

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of Directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

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

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

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

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

11.2 Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

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

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

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

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

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

We have nothing to report in respect of these matters.

15. Other matters

15.1 Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members of the Company on 29 June 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 March 2018 to 31 March 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

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

16. Use of our report

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

Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
24 May 2021

Statement of Comprehensive Income

Notes	For the year to 31 March	Revenue Year to 31 March 2021 £'000	Capital Year to 31 March 2021 £'000	Total Year to 31 March 2021 £'000	Revenue Year to 31 March 2020 £'000	Capital Year to 31 March 2020 £'000	Total Year to 31 March 2020 £'000
	Capital gains/(losses) on investments						
11	Gains/(losses) on investments held at fair value through profit or loss	–	29,988	29,988	–	(27,431)	(27,431)
	Exchange losses	–	(35)	(35)	–	–	–
	Revenue						
2	Investment income	3,788	–	3,788	4,836	–	4,836
	Total income	3,788	29,953	33,741	4,836	(27,431)	(22,595)
	Expenditure						
4	Investment management fee	(212)	(494)	(706)	(227)	(529)	(756)
5	Other expenses	(480)	–	(480)	(467)	–	(467)
	Total expenditure	(692)	(494)	(1,186)	(694)	(529)	(1,223)
	Profit/(loss) before finance costs and tax	3,096	29,459	32,555	4,142	(27,960)	(23,818)
	Finance costs						
7	Interest on bank loans	(69)	(160)	(229)	(62)	(144)	(206)
	Total finance costs	(69)	(160)	(229)	(62)	(144)	(206)
	Profit/(loss) before tax	3,027	29,299	32,326	4,080	(28,104)	(24,024)
8	Taxation	(7)	–	(7)	(27)	–	(27)
	Profit/(loss) and total comprehensive income/(expense) for the year	3,020	29,299	32,319	4,053	(28,104)	(24,051)
10	**Earnings per share**	2.59p	25.16p	27.75p	3.46p	(23.99)p	(20.53)p

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

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

No operations were acquired or discontinued in the year.

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

Statement of Financial Position

Notes	As at 31 March	2021 £'000	2020 £'000
	Non-current assets		
11	Investments held at fair value through profit or loss	**123,249**	92,587
	Current assets		
13	Receivables	**990**	938
14	Cash and cash equivalents	**2,310**	4,003
		3,300	4,941
	Total assets	**126,549**	97,528
	Current liabilities		
15	Payables	**(542)**	(507)
16	Bank loan	**(3,500)**	–
		(4,042)	(507)
	Non-current liabilities		
16	Bank loan	**(7,500)**	(7,500)
		(7,500)	(7,500)
	Total liabilities	**(11,542)**	(8,007)
	Net assets	**115,007**	89,521
	Equity attributable to equity shareholders		
17	Share capital	**134**	134
18	Share premium	**153**	153
	Capital redemption reserve	**5**	5
	Buy back reserve	**80,394**	81,157
	Special capital reserve	**13,340**	14,945
	Capital reserves	**16,392**	(12,907)
	Revenue reserve	**4,589**	6,034
	Equity shareholders' funds	**115,007**	89,521
19	**Net asset value per Ordinary share**	**99.25p**	76.66p
19	**Net asset value per B share**	**99.25p**	76.66p

Company Number: SC314671

Approved by the Board and authorised for issue on 24 May 2021 and signed on its behalf by:

John M Evans, Director

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

Cash Flow Statement

Notes	For the year to 31 March	Year to 31 March 2021 £'000	Year to 31 March 2020 £'000
	Cash flows from operating activities		
	Profit/(loss) before taxation	32,326	(24,024)
	Adjustments for:		
11	(Gains)/losses on investments held at fair value through profit or loss	(29,988)	27,431
	Exchange losses	35	–
	Interest income	(1)	(23)
	Interest received	1	23
2	Dividend income	(3,787)	(4,813)
	Dividend income received	3,638	5,428
	Decrease/(increase) in receivables	8	(16)
	Increase/(decrease) in payables	33	(47)
	Finance costs	229	206
	Overseas tax suffered	(21)	(55)
	Cash flows from operating activities	2,473	4,110
	Cash flows from investing activities		
11	Purchases of investments	(19,430)	(19,784)
11	Sales of investments	18,849	25,201
	Cash flows from investing activities	(581)	5,417
	Cash flows before financing activities	1,892	9,527
	Cash flows from financing activities		
9	Dividends paid on Ordinary shares	(4,465)	(4,452)
9	Capital returns paid on B shares	(1,605)	(1,595)
17	Shares purchased for treasury	(763)	(486)
	Interest on bank loans	(217)	(195)
	Drawdown of loan	3,500	–
	Cash flows from financing activities	(3,550)	(6,728)
	Net (decrease)/increase in cash and cash equivalents	(1,658)	2,799
	Cash and cash equivalents at the beginning of the year	4,003	1,204
	Effect of movement in foreign exchange	(35)	–
	Cash and cash equivalents at the end of the year	2,310	4,003
	Represented by:		
	Cash at bank	161	204
	Short term deposits	2,149	3,799
		2,310	4,003

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

Statement of Changes in Equity

Notes	For the year to 31 March 2021	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Buy back Reserve £'000	Special Capital Reserve £'000	Capital Reserve – investments sold £'000	Capital Reserve – investments held £'000	Revenue Reserve £'000	Total £'000
	Balance as at 31 March 2020	134	153	5	81,157	14,945	1,819	(14,726)	6,034	89,521
	Movement during the year ended 31 March 2021									
	Profit for the year	–	–	–		–	1,264	28,035	3,020	32,319
	Total comprehensive income for the year	–	–	–	–	–	1,264	28,035	3,020	32,319
	Transactions with owners of the Company recognised directly in equity									
17	Shares bought back for treasury	–	–	–	(763)	–	–	–	–	(763)
9	Dividends paid on Ordinary shares	–	–	–	–	–	–	–	(4,465)	(4,465)
9	Capital returns paid on B shares	–	–	–	–	(1,605)	–	–	–	(1,605)
	Balance as at 31 March 2021	134	153	5	80,394	13,340	3,083	13,309	4,589	115,007

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

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

Notes to the Financial Statements

1. Accounting policies

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

Basis of Preparation

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

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

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

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

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

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council (including that due to COVID-19). After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is included in the Report of the Directors on page 32.

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

Presentation of Statement of Comprehensive Income

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

Investments

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

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

1. Accounting policies (continued)

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

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

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

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

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

Receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

Derivatives are classified as fair value through profit or loss – held for trading and are held at fair value and changes in fair value are recognised in the capital return column of the Statement of Comprehensive Income. No derivative financial instruments were held during the year to 31 March 2021.

Payables

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

1. Accounting policies (continued)

Reserves

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

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

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

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

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

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

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

Income

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

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

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

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

1. Accounting policies (continued)

Taxation

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

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

Deferred taxation

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

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

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

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

Expenses and interest

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

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

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

Foreign currency

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

Rates of exchange at 31 March	2021	2020
Euro	1.1739	1.1301
Swiss Franc	1.2985	1.1997

2. Income

	2021 £'000	2020 £'000
Income from investments		
UK dividend income	3,379	4,131
UK dividend income – special dividends	86	114
Overseas dividend income	220	328
Property income distributions	102	97
SCRIP dividend income	–	143
	3,787	4,813
Other income		
Interest on cash and cash equivalents	1	23
Total income	3,788	4,836
Total income comprises:		
Dividends	3,787	4,813
Interest on cash and cash equivalents	1	23
Total income	3,788	4,836
Income from investments:		
Listed	3,787	4,813

3. Operating segments

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

4. Investment management fee

	Revenue £'000	Capital £'000	2021 Total £'000	Revenue £'000	Capital £'000	2020 Total £'000
Management fee	212	494	706	227	529	756

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

With effect from 1 April 2018 the investment management fee is 0.65 per cent per annum on the net asset value of the Company.

The investment management fee for the quarter ended 31 March 2021 of £184,000 (2020: £144,000) is due to the Company's investment manager at the year end.

5. Other expenses (including irrecoverable VAT thereon)

	2021 £'000	2020 £'000
Auditor's remuneration:		
– for audit services	36	31
Broker and professional fees	52	74
Revolving credit facility committment fee	32	41
Custody and depository	18	17
Directors' fees for services to the Company (Note 6)	136	116
Marketing	57	30
Printing and postage	40	42
Registrar's fees	35	29
Subscription and listing fees	43	40
Sundry expenses	31	47
Total other expenses	480	467

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £34,500 per annum (2020: £34,500).

Other Directors' emoluments amounted to £23,500 (2020: £23,500) each per annum, with the chairman of the Audit Committee receiving an additional £4,500 (2020: £4,500) per annum. Full details are provided in the Directors' Remuneration Report on pages 47 to 49.

7. Finance costs

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Finance costs attributable to term loan	62	143	205	62	144	206
Finance costs attributable to revolving credit facility	7	17	24	–	–	–
Total finance costs	69	160	229	62	144	206

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

8a. Tax on ordinary activities

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Overseas taxation	7	–	7	27	–	27
Total taxation charge (see note 8(b))	7	–	7	27	–	27

8b. Factors affecting tax charge for current year

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

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Profit/(loss) before tax	3,027	29,299	32,326	4,080	(28,104)	(24,024)
Profit/(loss) multiplied by the effective rate of corporation tax of 19.0% (2020: 19.0%)	575	5,567	6,142	775	(5,340)	(4,565)
Effects of:						
Non taxable dividend income	(701)	–	(701)	(901)	–	(901)
Expenses not utilised in the year	126	124	250	126	128	254
Overseas taxation suffered	7	–	7	27	–	27
Non taxable capital (gains)/losses	–	(5,691)	(5,691)	–	5,212	5,212
Total taxation (see note 7(a))	7	–	7	27	–	27

The deferred tax asset of £2,320,000 (2020: £2,075,000) in respect of unutilised expenses at 31 March 2021 has not been recognised as it is uncertain that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted. The deferred tax asset has been calculated at the UK standard rate of corporation tax of 19%.

9. Dividends and capital repayments

	Payment date	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Amounts recognised as distributions to shareholders in the year:							
For the year ended 31 March 2020							
Fourth interim dividend at 1.34p (2019: 1.29p) per Ordinary share	1-May-20	1,151	–	1,151	1,114	–	1,114
Fourth capital repayment at 1.34p (2019: 1.29p) per B share	1-May-20	–	414	414	–	399	399
For the year ended 31 March 2021							
First interim dividend at 1.29p (2020: 1.29p) per Ordinary share	7-Aug-20	1,108	–	1,108	1,114	–	1,114
First capital repayment at 1.29p (2020: 1.29p) per B share	7-Aug-20	–	398	398	–	399	399
Second interim dividend at 1.29p (2020: 1.29p) per Ordinary share	6-Nov-20	1,107	–	1,107	1,114	–	1,114
Second capital repayment at 1.29p (2020: 1.29p) per B share	6-Nov-20	–	397	397	–	399	399
Third interim dividend at 1.29p (2020: 1.29p) per Ordinary share	5-Feb-21	1,099	–	1,099	1,110	–	1,110
Third capital repayment at 1.29p (2020: 1.29p) per B share	5-Feb-21	–	396	396	–	398	398
		4,465	1,605	6,070	4,452	1,595	6,047
Amounts relating to the year but not paid at the year end:							
Fourth interim dividend at 1.43p (2020: 1.34p) per Ordinary share	7-May-21	1,218	–	1,218	1,151	–	1,151
Fourth capital repayment at 1.43p (2020: 1.34p) per B share	7-May-21	–	439	439	–	414	414
		1,218	439	1,657	1,151	414	1,565

As shown in the preceding table, the Directors have declared a fourth interim dividend and capital repayment in respect of the year ended 31 March 2021 of 1.43p per share, which was paid on 7 May 2021 to shareholders on the register on 6 April 2021. Although these payments relate to the year ended 31 March 2021, under IFRS they will be accounted for in the period during which they are paid.

9. Dividends and capital repayments (continued)

The dividends paid and payable in respect of the financial year ended 31 March 2021, which form the basis of the retention test under Chapter 4, Part 24 of the Corporation Taxes Act 2010 are as follows:

	2021 £'000
Revenue available for distribution by way of dividends for the year	3,020
First of four interims for the year ended 31 March 2021 of 1.29p per share	(1,108)
Second of four interims for the year ended 31 March 2021 of 1.29p per share	(1,107)
Third of four interims for the year ended 31 March 2021 of 1.29p per share	(1,099)
Fourth of four interims for the year ended 31 March 2021 of 1.43p per share*	(1,218)
Transferred from revenue reserve	**(1,512)**

*based on 85,172,653 Ordinary shares in issue at the record date of 6 April 2021.

10. Earnings per share

The Company's earnings per share are based on the profit for the year of £32,319,000 (year to 31 March 2020 loss: £24,051,000) and on 85,648,406 Ordinary shares (2020: 86,199,196) and 30,802,860 B shares (2020: 30,924,172), being the weighted average number of shares in issue of each share class during the year.

The Company's revenue earnings per share are based on the revenue profit for the year of £3,020,000 (year to 31 March 2020: £4,053,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital profit for the year of £29,299,000 (year to 31 March 2020 loss: £28,104,000) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Listed securities	**122,999**	92,337
Subsidiary undertaking	**250**	250
	123,249	92,587

	Listed/ Quoted (Level 1) £'000	Subsidiary/ Unlisted (Level 3)* £'000	Total £'000
Cost brought forward	107,063	250	107,313
Losses brought forward	(14,726)	–	(14,726)
Fair value of investments at 31 March 2020	92,337	250	92,587
Purchases at cost	19,430	–	19,430
Sales proceeds	(18,756)	–	(18,756)
Gains on investments sold in year	1,953	–	1,953
Gains on investments held at year end	28,035	–	28,035
Fair value of investments at 31 March 2021	122,999	250	123,249
Cost at 31 March 2021	109,690	250	109,940
Gains at 31 March 2021	13,309	–	13,309
Fair value of investments at 31 March 2021	122,999	250	123,249

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

	2021 £'000	2020 £'000
Equity investments	**123,249**	92,587
Gains on investments sold in year	**1,953**	2,521
Gains/(losses) on investments held at year end	**28,035**	(29,952)
Total gains/(losses) in year	**29,988**	(27,431)

The Company incurred transaction costs of £44,000 (2020: £45,000) on the purchase of assets and £10,200 (2020: £11,500) on the sale of assets in the year.

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

Gains on investments held at year end represents the increase in the difference between the book cost of investments held and their market value at 31 March 2021 compared with the difference between the book cost of investments held and their market value at 31 March 2020.

12. Significant interests

As at 31 March 2021, the Company's subsidiary undertaking which deals in investments is:

Name	Country of incorporation or Registration	Class of Capital	Share Capital and Reserves £'000	Profit for the year £'000	% of Class held	% of Equity held	Valuation at 31.03.21 and 31.03.20 £'000
Investors Securities Company Limited	Scotland	Ordinary	250	–	100	100	250

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

At 31 March 2021, no investments were held by the dealing subsidiary and it did not trade during the year. The accounts of this subsidiary have not been consolidated with those of the Company as, in the opinion of the Directors, it is not material.

13. Receivables

	2021 £'000	2020 £'000
Income receivable from shares and securities	863	714
Due from brokers in settlement of sales of investments	–	93
Withholding tax recoverable	86	72
Sundry debtors and prepayments	41	59
	990	938

14. Cash and cash equivalents

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

15. Payables

	2021 £'000	2020 £'000
Loan from subsidiary undertaking repayable on demand	250	250
Investment management fee payable to the manager	184	144
Loan Interest	3	1
Accrued expenses	105	112
	542	507

16. Bank loans

	2021 £'000	2020 £'000
£7.5 million multicurrency revolving credit facility	3,500	–

The Company has a £7.5 million unsecured multicurrency revolving credit facility ("RCF") with Scotiabank (Ireland) Designated Activity Company available until 28 September 2022. £3.5 million of the RCF was drawn down at 31 March 2021 (2020: £nil).

	2021 £'000	2020 £'000
£7.5 million term loan maturing 28 September 2022	7,500	7,500

The Company has a £7.5 million unsecured term loan from Scotiabank Europe plc until 28 September 2022 and at a fixed interest rate of 2.58 per cent per annum. Arrangement and legal fees of £55,000 were incurred and are being amortised over the term of these facilities.

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

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

17. Share capital

Allotted, issued and fully paid

	Listed		Held in Treasury		In Issue	
	Number	£	Number	£	Number	£
Ordinary Shares of 0.1p each						
Balance at 1 April 2020	102,067,144	102,067	(16,144,491)	(16,144)	85,922,653	85,923
Shares bought back to be held in treasury	–	–	(750,000)	(750)	(750,000)	(750)
Balance at 31 March 2021	102,067,144	102,067	(16,894,491)	(16,894)	85,172,653	85,173
B shares of 0.1 pence each						
Balance at 1 April 2020	32,076,703	32,077	(1,217,953)	(1,218)	30,858,750	30,859
Shares bought back to be held in treasury	–	–	(150,000)	(150)	(150,000)	(150)
Balance at 31 March 2021	32,076,703	32,077	(1,367,953)	(1,368)	30,708,750	30,709
Total at 31 March 2021	**134,143,847**	**134,144**	**(18,262,444)**	**(18,262)**	**115,881,403**	**115,882**

During the year the Company bought back 750,000 Ordinary Shares (2020: 405,491 Ordinary shares) to hold in treasury at a cost of £634,000 (2020: £379,000) and 150,000 B Shares (2020: 117,953 B Shares) to hold in treasury at a cost of £129,000 (2020: £107,000).

At 31 March 2021 the Company held 16,894,491 Ordinary Shares (2020: 16,144,491 Ordinary shares) and 1,367,953 B Shares (2020: 1,217,953 B Shares) in treasury.

17. Share capital (continued)

Shareholder entitlements

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

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

18. Share premium account and reserves

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

The Company will apply these two reserves as follows:

- the buy back reserve will be available as distributable profits to be used for the buy back of both Ordinary shares and B shares; and
- the special capital reserve will be used for the purpose of paying capital repayments on the B Shares.

Capital management

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

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

- issue and buyback share capital within limits set by the shareholders in general meeting;
- borrow money in the short and long term;
- pay dividends to Ordinary shareholders out of current year revenue earnings as well as out of the brought forward revenue reserve; and
- pay capital repayments to B shareholders out of the special capital reserve.

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

19. Net asset value per share

	2021	2020
Net assets attributable at the year end	£115,007,000	£89,521,000
Equity shares in issue at the year end[1]	115,881,403	116,781,403
Net asset value per Ordinary/B share - pence	99.25p	76.66p

[1] Consisting of 85,172,653 Ordinary Shares and 30,708,750 B Shares (2020: 85,922,653 Ordinary Shares and 30,858,750 B Shares), being the number of shares in issue at the year end.

The Company's shares may also be traded as units, each unit consisting of three Ordinary Shares and one B Share. The basic net asset value per unit as at 31 March 2021 was therefore 397.0p (2020: 306.64p).

The Company's treasury net asset value per share, incorporating the 16,894,491 Ordinary shares and 1,367,953 B Shares held in treasury at the year end (2020: 16,144,491 Ordinary Shares and 1,217,953 B Shares), was 99.25p (2020: 76.16p). The Company's treasury net asset value per unit at the end of the year was 397.00p (2020: 304.64p). The Company's current policy is to only re-sell shares held in treasury at a price not less than the net asset value per share. Prior to the AGM in 2020 the Company was able to re-sell shares held in treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of sale, together with other conditions. Accordingly, for the purpose of the calculation at 31 March 2020, such treasury shares were valued at the higher of net asset value less 5 per cent and the mid market share price at 31 March 2020.

20. Changes in liabilities arising from financing activities

	2021 £'000	2020 £'000
Opening liabilities from financing activities at 31 March 2020	7,500	7,500
Cash-flows:		
Drawdown of bank loan	3,500	–
Non-cash:		
Effect of movement in foreign exchange	–	–
Closing liabilities from financing activities at 31 March 2021	11,000	7,500

21. Financial instruments

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

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

The fair value of the financial assets and liabilities of the Company at 31 March 2021 is not materially different from their carrying value in the financial statements.

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

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

21. Financial instruments (continued)

Credit risk

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

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

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

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

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

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

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. Other external events such as protectionism, inflation or deflation, economic recessions and terrorism could also affect share prices in particular markets. The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Purpose, Strategy and Business Model on pages 8 and 9 and Principal Policies on pages 28 and 29. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment performance is discussed in more detail in the Manager's Review and further information on the investment portfolio is set out in the sections of this report entitled 'Classification of Investments' and 'Investment Portfolio'.

Any changes in market conditions will directly affect the profit or loss reported through the Statement of Comprehensive Income. A 20 per cent increase in the value of the Investment Portfolio as at 31 March 2021 would have increased net assets and income for the year by £24,650,000 (2020: an increase of 20 per cent in the Investment Portfolio would have increased net assets and income by £18,517,400). A decrease of 20 per cent (2020: 20 per cent) would have had an equal but opposite effect.

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

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

21. Financial instruments (continued)

Liquidity risk

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

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

The remaining contractual maturities of the financial liabilities at 31 March 2021, based on the earliest date on which payment can be required, were as follows:

	Three months or less £'000	More than three months but less than one year £'000	More than one year but less than two years £'000	More than two years but less than five years £'000	Total £'000
31 March 2021					
Current liabilities					
Payables	292	–	–	–	292
Bank loans	3,504	–	–	–	3,504
Non-current liabilities					
Bank loan	48	145	7,597	–	7,790
31 March 2020					
Current liabilities					
Payables	257	–	–	–	257
Non-Current liabilities					
Bank loan	48	146	194	7,596	7,984

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

Interest rate risk

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

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 0.1 per cent at 31 March 2021 (2020: 0.1 per cent).

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the year by £23,000 (year to 31 March 2020: £40,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the net cash balances at the respective statement of financial position date and are not representative of the year as a whole, nor are they reflective of future market conditions.

21. Financial instruments (continued)

Fixed rate

At 31 March 2021 and 31 March 2020 the Company's Investment Portfolio did not contain any fixed interest or floating rate interest assets. Details of the Company's Investment Portfolio are given in Note 11 and in the section of this report entitled 'Classification of Investments' and 'Investment Portfolio'. At 31 March 2021 and 31 March 2020 the Company had fixed interest liabilities.

			2021			2020
	£'000	Weighted average interest rate	Average duration until maturity	£'000	Weighted average interest rate	Average duration until maturity
Fixed interest liabilities:						
Term loan	7,500	2.58%	1.5 years	7,500	2.58%	2.5 years
Revolving credit facility	3,500	1.50%	0.1 years	–	–	–

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

Foreign currency risk

It is not the Company's policy to hedge any overseas currency exposure on equity investments. Foreign currency exposure (which includes Euro and Swiss Franc denominated equity investments) at 31 March 2021 and 31 March 2020 was as follows:

		2021				2020		
	Investments £'000	Net Current Assets £'000	Cash £'000	Total £'000	Investments £'000	Net Current Assets £'000	Cash £'000	Total £'000
Swiss Franc	3,765	8	–	3,773	1,864	–	–	1,864
Euro	14,165	56	–	14,221	9,803	50	–	9,853
Total	17,930	64	–	17,994	11,667	50	–	11,717

Total losses in the year from foreign exchange transactions and balances held in cash were £35,000 (2020 gains – £nil).

At 31 March 2021, if the value of sterling had weakened against the Euro and Swiss Franc by 10 per cent the impact on the profit or loss and the net asset value would have been an increase of £2,088,000 (2020: £1,171,700). If the value of sterling had strengthened against the Euro and Swiss Franc by 10 per cent the effect would have been equal and opposite.

22. Related party and transactions with the Manager

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

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

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

23. Post-balance sheet events

Since 31 March 2021, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

AIFM Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

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

The Company's maximum and average actual leverage levels at 31 March 2021 are shown below:

Leverage exposure	**Gross method**	**Commitment method**
Maximum limit	260%	260%
Actual	107%	109%

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

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

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

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

Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of BMO UK High Income Trust PLC will be held at Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG, on 27 July 2021 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 to 12 as Special Resolutions:

Ordinary Resolutions

1. That the Annual Report and Financial Statements for the year to 31 March 2021 be received.

2. That the Annual Report on Directors' Remuneration for the year ended 31 March 2021 be approved.

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

4. That Mrs H M Galbraith, who retires annually, be re-elected as a Director.

5. That Mr S J Mitchell who retires annually, be re-elected as a Director.

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

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

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

9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") provided that such authority shall be limited to the allotment of shares and the grant of Rights in respect of shares with an aggregate nominal value of up to £4,258 in respect of Ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") and £1,535 in respect of B shares of 0.1 pence each in the capital of the Company ("B Shares"), such authority to expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2022, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require shares in the Company to be allotted or Rights to be granted after the expiry of such authority and the Directors shall be entitled to allot shares in the Company or grant Rights in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

10. That, subject to the passing of Resolution number 9 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by Resolution number 9 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

    (a) expires at the conclusion of the Company's next Annual General Meeting or on 30 September 2022, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,258 in respect of Ordinary Shares and £1,535 in respect of B Shares (being approximately 4.3 per cent of the total nominal value of the issued share capital of the Company (including treasury shares), as at 24 May 2021) at a price of not less than the net asset value per share of the existing Ordinary Shares (in the case of an allotment of Ordinary Shares) or B Shares (in the case of an allotment of B Shares).

11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 0.1 pence each in the capital of the Company and fully paid B Shares of 0.1p each in the capital of the Company ("Ordinary and/or B Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

    (a) the maximum aggregate number of Ordinary Shares and B Shares hereby authorised to be purchased is 14.99 per cent of the issued Ordinary Shares and 14.99 per cent of the issued B Shares (excluding Ordinary Shares and B Shares held in treasury) immediately prior to the passing of this resolution (see note 14);

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

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

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

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

    (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2022 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares and/or B Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares and/or B Shares pursuant to any such contract.

12. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (as amended) (the "Act") to sell equity securities (within the meanings of sections 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £8,517 in respect of Ordinary Shares and £3,070 in respect of B Shares, representing approximately 8.3 per cent of the Company's Ordinary share capital in issue (including treasury shares) as at the date of the passing of this resolution and approximately 9.6 per cent of the Company's B share capital in issue (including treasury shares) as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2022 or at the conclusion of the Company's next Annual General Meeting, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

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

24 May 2021

Notes

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

2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

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

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

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.30 p.m. on 23 July 2021 or, in the event that the meeting is adjourned, on the Register of Members as at 6.30 pm on the day two days (excluding non-working days) prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30 p.m. on 23 July 2021 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30 pm on the day two days prior to any adjourned meeting (excluding non-working days), shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

8. As at 24 May 2021 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 85,172,653 Ordinary Shares carrying one vote each and 30,708,750 B Shares carrying one vote each. The Company holds 16,894,491 Ordinary Shares and 1,367,953 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 24 May 2021 were 115,881,403 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

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

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

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

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

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

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

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

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

14. Following Resolution 11 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 12,767,300 Ordinary shares and 4,603,200 B shares (or, if less, 14.99 per cent. of the number of Ordinary shares and 14.99 per cent. of the number of B shares in issue (excluding treasury shares) immediately prior to the passing of the resolution).

15. Due to the possibility of continued restrictions and Government advice in respect of the COVID-19 pandemic, shareholders are not expected to attend the AGM and the Company may, in accordance with its Articles of Association and the venues security requirements impose entry restrictions on certain persons wishing to attend the AGM or may be required to adjourn the AGM. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

    All shareholders are strongly encouraged to exercise your votes in respect of the AGM in advance. This should ensure that your votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from our shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance and the answers to these questions will be provided at the online shareholder meeting and on our website. Shareholders should submit any questions they may have to UKHITCoSec@bmogam.com before 6 July 2021.

Capital Structure At 31 March 2021

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

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

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

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

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

It is the Company's current policy to maintain the ratio of Ordinary shares to B shares (excluding shares held in Treasury) within the range 72.5% : 27.5% and 77.5% : 22.5%. The Board may if it considers it to be in the best interests of the Company, amend the ratio from time to time. However, the Board will always be mindful in setting the ratio of any impact on the level of revenue available for the Ordinary shares.

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

Bank Facilities

The Company has a £7.5 million unsecured term loan until 28 September 2022 at a fixed rate of interest of 2.58 per cent per annum. It also has a £7.5 million revolving credit facility available until 28 September 2022. The returns of both the Ordinary shares and B shares are geared by these bank facilities.

Further information on the B Shares

What is different about the B shares

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

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

A summary of the tax treatment.

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

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

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

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

Shareholder Information

Dividends

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

Reinvestment of Returns

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

Share Prices and Daily Net Asset Value

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

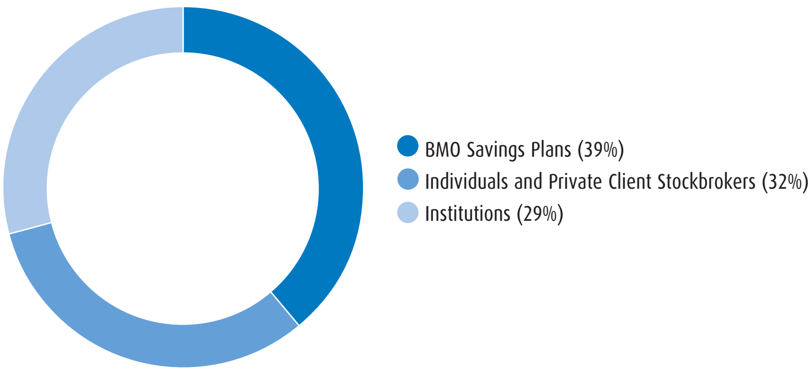
Change of Address

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

Data protection

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

Profile of the Company's Ownership
% of Shares held at 31 March 2021



Warning to shareholders – Boiler Room Scams

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

If you receive unsolicited investment advice or requests:

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

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

How to Invest

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

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

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

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

BMO General Investment Account (GIA)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £100 lump sum or £25 a month.

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

* The CTF and JISA accounts are opened by parents 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.

bmoinvestments.co.uk

facebook.com/bmoinvestmentsuk

0345 600 3030, 9.00am – 5.00pm, weekdays, 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
£12 per fund (reduced to £0 for deals placed through the online BMO Investor Portal) for ISA/GIA/JIA and JISA. There are no dealing charges on a CTF.

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

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

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

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

Online applications are not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name but paper applications are available at bmoinvestments.co.uk/documents or by contacting BMO.

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

Existing Plan Holders
Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: **investor.enquiries@bmogam.com**
By post: BMO Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

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

BMO Asset Management Limited

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_L56_04/21_UK

Ten Year Record

Assets

at 31 March

£'000s	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assets less current liabilities	144,369	143,158	139,498	144,552	144,886	134,528	149,649	129,825	127,605	97,021	126,007
Bank loans at fair value*	35,509	34,245	18,186	17,692	18,103	18,156	18,078	7,500	7,500	7,500	11,000
Net assets, debt at fair value	108,860	108,913	121,312	126,860	126,783	116,372	131,571	122,325	120,105	89,521	115,007

* includes interest rate swap, where applicable

Net Asset Value (NAV)*

at 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per A/Ordinary share and per B share	85.6p	85.9p	97.9p	102.8p	103.6p	96.3p	111.1p	103.7p	102.4p	76.7p	99.3p
NAV High	87.1p	88.7p	98.5p	105.8p	107.5p	107.3p	112.3p	116.3p	115.3p	111.8p	103.9p
NAV Low	72.3p	74.5p	78.9p	93.0p	95.0p	87.3p	92.6p	101.1p	91.1p	66.3p	71.2p
NAV total return on 100p – 5 years											133.2p
NAV total return on 100p – 10 years											189.9p

* includes debt at fair value

Share Price – A/Ordinary Shares

at 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle market price per share	82.0p	82.0p	93.5p	95.0p	100.8p	89.8p	104.0p	96.5p	95.0p	69.5p	91.5p
Premium/(discount) to NAV %	(4.2)%	(4.5)%	(4.5)%	(7.6)%	(2.7)%	(6.7)%	(6.4)%	(7.0)%	(7.2)%	(9.3)%	(7.8)%
Share price High	85.5p	83.5p	93.5p	97.5p	101.0p	100.0p	104.5p	108.0p	106.0p	102.0p	92p
Share price Low	74.0p	70.5p	76.5p	90.0p	87.5p	84.0p	87.5p	96.0p	86.3p	59.5p	64p
Share price total return on 100p – 5 years											135.0p
Share price total return on 100p – 10 years											189.6p

Share Price – B Shares

at 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle market price per share	91.5p	86.5p	94.5p	102.3p	100.8p	91.5p	104.3p	95.8p	95.0p	67.5p	91.5p
Premium/(discount) to NAV %	6.9%	0.7%	(3.5)%	(0.5)%	(2.7)%	(5.0)%	(6.1)%	(7.7)%	(7.2)%	(11.9)%	(7.8)%
Share price High	93.5p	91.5p	94.5p	103.5p	102.3p	102.0p	104.3p	107.0p	107.0p	102.5p	92p
Share price Low	77.0p	78.0p	79.0p	90.5p	88.5p	84.5p	86.5p	95.8p	86.0p	58.0p	64p
Share price total return on 100p – 5 years											130.6p
Share price total return on 100p – since launch											166.3p

Share Price – Units

at 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle market price per share	328.0p	322.5p	369.0p	375.0p	402.5p	354.0p	409.5p	397.0p	373.0p	273.0p	365.0p
Premium/(discount) to NAV %	(4.2)%	(6.2)%	(5.7)%	(8.8)%	(2.9)%	(8.1)%	(7.9)%	(4.3)%	(8.9)%	(11.0)%	(8.1)%
Share price High	337.0p	334.5p	369.0p	375.0p	402.5p	400.5p	409.5p	425.0p	418.0p	403.0p	365p
Share price Low	317.0p	300.0p	300.0p	358.0p	349.5p	335.0p	336.5p	397.0p	335.0p	234.0p	258p
Share price total return on 100p – 5 years											132.9p
Share price total return on 100p – since launch											184.6p

Revenue

For the year ended 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Available for A/Ordinary shares – £'000s	4,906	4,704	4,391	4,598	4,848	4,571	4,585	4,764	4,451	4,053	3,020
Revenue earnings per share	3.85p	3.70p	3.52p	3.73p	3.95p	3.74p	3.82p	4.03p	3.77p	3.46p	2.59p
Dividends per A/Ordinary share	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p	5.30p
Capital repayments per B share	4.28p	4.28p	4.28p	4.37p	4.48p	4.60p	4.72p	4.88p	5.04p	5.21p	5.30p

Performance

(rebased at 100 at 31 March 2011)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per A/Ordinary share, B share and Unit	100.0	100.4	114.8	120.1	121.4	112.8	130.2	121.2	119.9	90.0	117.5
Mid Market price per A/Ordinary share	100.0	100.0	114.0	115.9	122.9	109.5	126.8	117.7	115.9	84.8	111.6
Mid Market price per B share	100.0	94.5	103.3	111.7	110.1	100.0	113.9	104.6	103.8	73.8	100.0
Mid Market price per Unit	100.0	98.3	112.5	114.3	122.7	107.9	124.8	121.0	113.7	83.2	111.3
Dividends per A/Ordinary share	100.0	100.0	100.0	102.1	104.7	107.5	110.3	114.0	117.8	121.7	123.8
Capital repayments per B share	100.0	100.0	100.0	102.1	104.7	107.5	110.3	114.0	117.8	121.7	123.8

Ongoing Charges

For the year ended 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expressed as a percentage of average net assets											
– excluding performance fees	1.15%	1.14%	1.15%	1.06%	1.05%	1.06%	1.11%	0.91%	0.98%	0.96%	1.04%
– including performance fees	1.15%	1.14%	1.15%	1.51%	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Gearing

at 31 March

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net gearing	25.4%	20.1%	10.1%	10.0%	7.9%	9.7%	3.5%	4.4%	4.3%	3.4%	7.2%

Alternative Performance Measures ("APMs")

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

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

		At 31 March 2021			At 31 March 2020		
		Ordinary shares	**B shares**	**Units**	Ordinary shares	B shares	Units
Net asset value per share	(a)	**99.25p**	**99.25p**	**397.00p**	76.66p	76.66p	306.64p
Share price	(b)	**91.50p**	**91.50p**	**365.00p**	69.5p	67.5p	273.0p
(Discount) (c=(b-a)/(a))	(c)	**-7.8%**	**-7.8%**	**-8.1%**	-9.3%	-11.9%	-11.0%

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

Ongoing charges calculation

	Page	**31 March 2021 £'000**	31 March 2020 £'000
Total expenditure	(59)	**1,186**	1,223
Less revolving credit facility commitment fee	(68)	**(32)**	(41)
Less non-recurring expenses		**(51)**	(24)
Total	(a)	**1,103**	1,158
Average daily net assets	(b)	**105,838**	120,552
Ongoing charges (c = a/b)	(c)	**1.04%**	0.96%

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

		Page	**31 March 2021 £'000**	31 March 2020 £'000
Investments held at fair value through profit or loss	(a)	(60)	**123,249**	92,587
Net assets	(b)	(60)	**115,007**	89,521
Gearing (c = (a/b) - 1)%	(c)		**7.2%**	3.4%

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

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

	31 March 2021		31 March 2020	
	Ordinary shares/ B shares	Units	Ordinary shares/ B shares	Units
NAV per share at start of financial year	76.66p	306.64p	102.39p	409.56p
NAV per share at end of financial year	99.25p	397.00p	76.66p	306.64p
Change in the year	29.5%	29.5%	-25.1%	-25.1%
Impact of dividend/capital repayment reinvestments†	7.9%	7.9%	3.7%	3.7%
NAV total return for the year	37.4%	37.4%	-21.4%	-21.4%

† During the year to 31 March 2021 dividends/capital repayments totalling 5.21p (Ordinary shares/B shares) and 20.84p (units) went ex dividend. During the year to 31 March 2020 the equivalent figures were 5.16p (Ordinary shares/B shares) and 20.64p (units).

	31 March 2021			31 March 2020		
	Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Share price per share at start of financial year	69.5p	67.5p	273.0p	95.0p	95.0p	373.0p
Share price per share at end of financial year	91.5p	91.5p	365.0p	69.5p	67.5p	273.0p
Change in the year	31.7%	35.6%	33.7%	-26.8%	-28.9%	-26.8%
Impact of dividend/capital repayment reinvestment†	9.1%	9.3%	6.9%	4.0%	3.9%	4.1%
Share price total return for the year	40.8%	44.9%	40.6%	-22.8%	-25.0%	-22.7%

† During the year to 31 March 2021 dividends/capital repayments totalling 5.21p (Ordinary shares/B shares) and 20.84p (units) went ex dividend. During the year to 31 March 2020 the equivalent figures were 5.16p (Ordinary shares/B shares) and 20.64p (units).

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

		31 March 2021			31 March 2020		
		Ordinary shares	B shares	Units	Ordinary shares	B shares	Units
Annual dividend/capital repayment	(a)	5.30p	5.30p	21.20p	5.21p	5.21p	20.84p
Share price	(b)	91.50p	91.50p	365.00p	69.5p	67.5p	273.0p
Yield = (c=a/b)	(c)	5.8%	5.8%	5.8%	7.5%	7.7%	7.6%

Glossary of Terms

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

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

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

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

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

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

Closed-end company – a company, including an Investment Company, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the net asset value of the company and in which shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended company or Fund, which has units not traded on an exchange but issued or bought back from investors at a price directly related to net asset value.

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

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

Depositary – under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the depositary has strict liability for the loss of the Company's financial assets in respect of which it has safe-keeping duties. The Depositary's oversight duties will include but are not limited to oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JPMorgan Europe Limited.

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

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

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards).

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

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

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

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

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

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

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

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

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

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

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

Corporate Information

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

Alternative Investment Fund Manager ('AIFM'), Investment Manager and Company Secretary
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BMO UK High Income Trust PLC

Annual Report and Financial Statements
31 March 2021

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** Local overseas call rates will apply.