BMO Capital and Income Investment Trust PLC

Report and Accounts 2020

BMO

Financial Calendar	
Fourth interim dividend for 2020	17 December 2020*
Annual General Meeting	16 February 2021
First interim dividend for 2021	March 2021
Interim results for 2021 announced	June 2021
Second interim dividend for 2021	June 2021
Third interim dividend for 2021	September 2021
Final results for 2021 announced	November 2021
Fourth interim dividend for 2021	December 2021

* December payment date earlier than in prior years.

Forward-looking statements

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

Contents

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

Company Overview

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

- Our well-diversified portfolio has outperformed its benchmark over the long term under Julian Cane, our Fund Manager for over 20 years.
- A recognised "AIC Dividend Hero", our dividend has increased every year since launch in 1992 and grown at more than twice the rate of inflation.
- Investor demand remains strong and the Company continues to grow through regular new share issues.
- Our Ongoing Charges of only 0.58%* represents very good value for Shareholders.

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

Visit our website at **bmocapitalandincome.com**

AIC DIVIDEND HERO

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

*See Alternative Performance Measures on pages 84 and 85.

Financial Highlights
for the year ended 30 September 2020

11.50p

Ordinary dividends – 27th consecutive annual increase

The dividends for the year are partly funded using revenue reserves and represent a 0.9% increase, ahead of inflation of 0.5%.

(20.3)%

Share price total return*

The share price total return for the year was (20.3)%. The share price at 30 September 2020 was 249.0p. Over five years the total return has been 16.8%, the equivalent of 3.1% compound per year.

(21.0)%

Net Asset Value per share total return*

The Net Asset Value per share total return for the year was (21.0)%. As at 30 September 2020 the Net Asset Value per share was 249.7 pence. The total return was lower than the FTSE All-Share Index (the "Benchmark"), which returned (16.6)%. Over five years the 19.8% return outperformed the Benchmark return of 18.6%.

(0.3)%

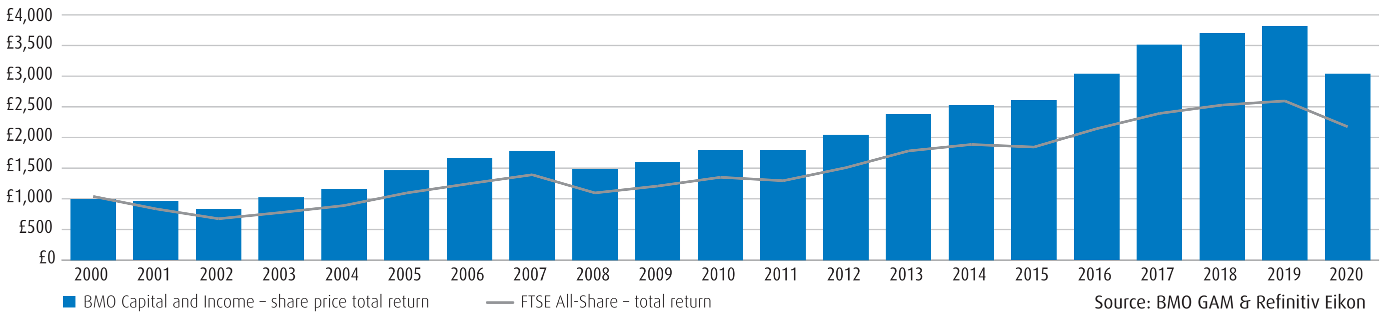
Shares ended the year at a discount* of 0.3%

The shares traded at an average premium to NAV of 0.4% over the year.

The longer term rewards

In the last twenty years BMO Capital and Income Investment Trust PLC has turned a £1,000 investment, with dividends reinvested (and net of expenses), into £3,041 compared with £2,162 from its Benchmark, the FTSE All-Share Index with notional dividends reinvested.

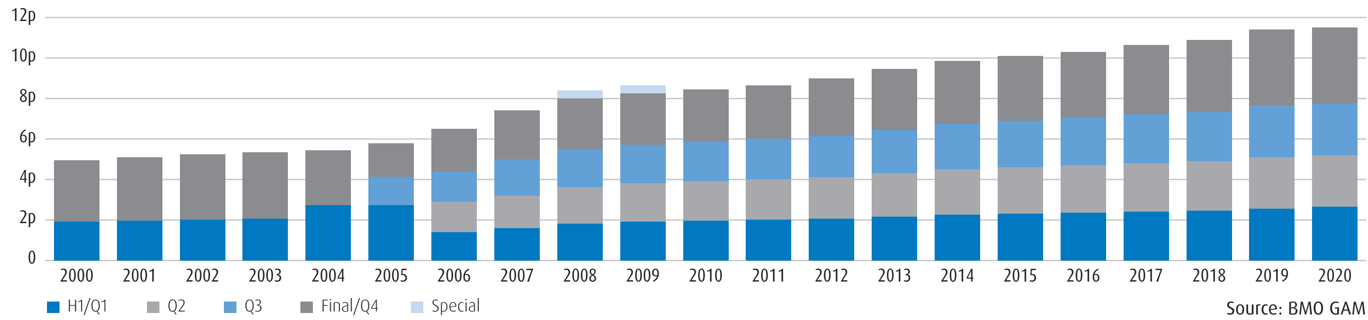
£1,000 Investment, with dividends reinvested at 30 September



Source: BMO GAM & Refinitiv Eikon

The ordinary dividend has increased every year since launch and over the last twenty years is up 132.3% or 4.3% compound per year, compared with inflation of 49.8% or 2.0% compound per year.

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



Source: BMO GAM

*See Alternative Performance Measures on pages 84 and 85.

Chairman's Statement

"Notwithstanding the challenges, there are opportunities for many companies to restructure and grow, and the Company will seek to identify and invest in those businesses. The Company's strong performance since the year end indicates that the portfolio is well placed to exploit these opportunities and achieve its objective of securing long-term capital and income growth for Shareholders."

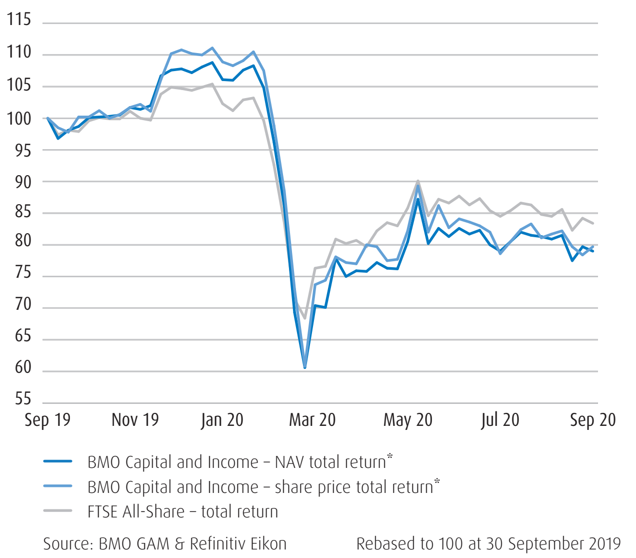
Jonathan Cartwright, Chairman

Dear Shareholder,

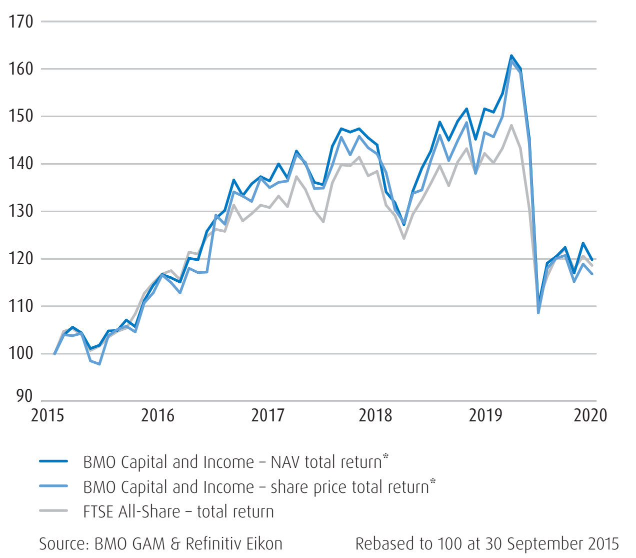
As we all know, events over the last several months have been truly tumultuous. This is my first annual statement to you since my appointment as Chairman in succession to Steve Bates, but there has been no honeymoon period. The Fund Manager's Review gives details about the performance of the stock market and the Company's own performance over the financial year and unsurprisingly, the impact of the COVID-19 pandemic has been substantial both on absolute performance and performance relative to our benchmark, the FTSE All-Share Index (**"the Index"**).

Over the year to 30 September 2020, the total returns (including dividends) for the Company's Net Asset Value (**"NAV"**) and share price were -21.0% and -20.3% respectively and these compare directly to the total return of -16.6% for the Index. The period between 21 February when the stock market started to fall sharply in response to the developing crisis and 23 March at the trough was when the performance of your Company was hit hardest. Indeed, up to that point we had been making good progress and, since the nadir in March, performance has been ahead of the Index.

Performance over one year (%)



Performance over five years (%)



*See Alternative Performance Measures on pages 84 and 85.

Longer term performance has been impacted by the turmoil of this year, but nevertheless NAV total returns measured over the last five years remain positive in both absolute and relative terms. Over five years to 30 September 2020, the Company's NAV and share price total returns were +19.8% and +16.8% while the comparable figure for the Index was +18.6%.

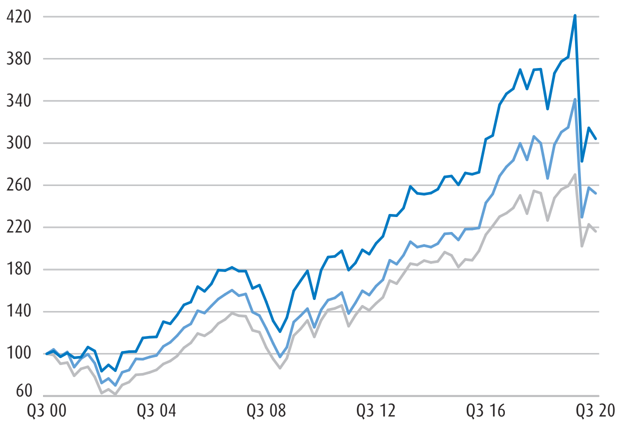
Revenue and Dividends

The lockdowns mandated by most governments worldwide to halt the spread of the virus clearly affected many businesses severely as did the general uncertainty as to how the situation would develop. This fed through immediately into lower or no dividend payments from companies to their shareholders, thus reducing our income.

One of the objectives of this Company is to pay a rising dividend to Shareholders. Even though our own income has been significantly reduced this year because of the crisis, the Company has a very significant Revenue Reserve, which was accumulated in previous years. A key purpose of the Revenue Reserve is to be able to support dividend payments when conditions are more challenging, such as during this crisis, and therefore the Board is willing to use the Reserve to support the payment of an increased dividend this year.

With these results, the Board announces the payment of a fourth quarterly dividend of 3.75 pence per share. Together with the three dividends already paid, this takes the total dividend for the year to 11.5 pence per share, an increase of 0.9% compared to last year. By comparison, the Consumer Prices Index rate of inflation for the year to September was 0.5%.

Total returns over twenty years (%)



Source: BMO GAM & Refinitiv Eikon   Rebased to 100 at 30 September 2000

*See Alternative Performance Measures on pages 84 and 85.

We are proud to be an AIC Dividend Hero, having increased our dividend every year since launch in 1992 and this is a record we will strive to maintain.

Share Rating

For the majority of last year, our shares traded at a premium to the underlying NAV. This reflects good demand from Shareholders old and new and relatively few sales in the market as most Shareholders have a long-term view.

In response to the demand for our shares and as the share price stood at a premium to the NAV, we have again issued new shares; 3,925,000 in total. This increased our share count by 3.8% compared to the start of the financial year. There are a number of benefits to issuing new shares at a premium to NAV. First, by increasing the size of the Company it provides a larger capital base over which to allocate costs, secondly it ensures anyone buying shares only pays, at most, a relatively small premium to NAV, thirdly existing Shareholders are not diluted and finally it helps to reduce some volatility in the share price by linking the share price more closely to the NAV.

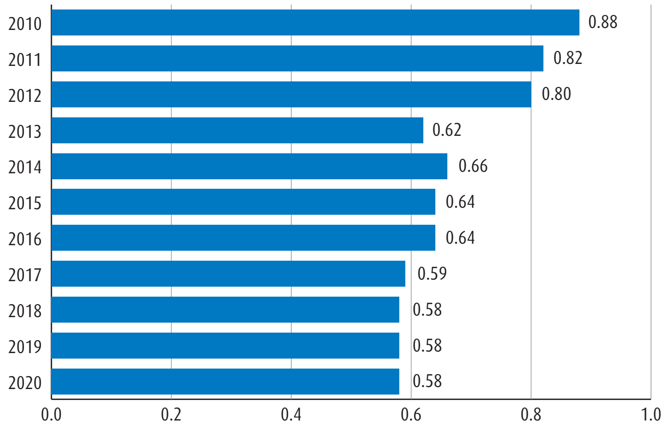
The incidence of the Company's shares trading at a premium or discount to NAV is dependent upon supply and demand for the shares, and most of our peer group of companies trade at a discount. If a persistent discount were to emerge, the Board has the flexibility to buy back shares in accordance with the authority given by Shareholders. Through our policy of issuing shares at a small premium to NAV and offering to buy back at a discount, the Company in effect becomes a market maker if required and it is able to provide greater liquidity to Shareholders than may be available from traditional sources. We do not think it is in Shareholders' interest that the share price of this Company should become too detached from the underlying NAV.

It is worth noting a number of our shares are held in Child Trust Funds; these will increasingly mature as the children for whom they were initially established turn 18 years of age and your Manager is working actively to encourage these young investors to remain as long-term Shareholders.

Operations

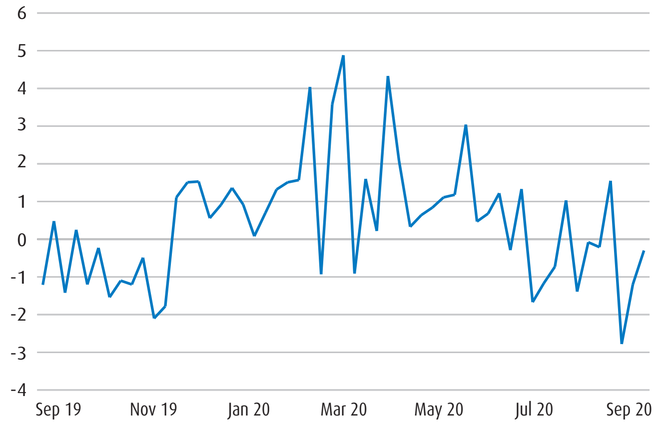
I am glad to report that at an operational level, the Board and your Manager have been able to continue to work without any disruption from the crisis. The Manager moved to most staff working from home early in March and as a result of good information technology, planning and infrastructure this has been successfully achieved. Our Board meetings have necessarily been held remotely, but these too have been without disruption and have been as thorough and diligent as ever. In recognition of the COVID crisis, we have held two additional meetings in order to keep in closer contact with the Investment Manager and the fast-moving events.

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



*See Alternative Performance Measures on pages 84 and 85. Source: BMO GAM

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



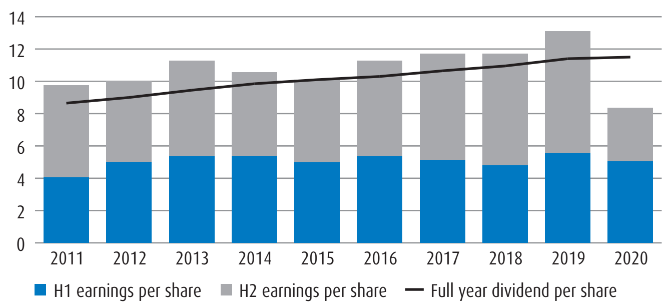
*See Alternative Performance Measures on pages 84 and 85. Source: BMO GAM

The Manager has also increased its efforts to communicate in greater detail with Shareholders and potential investors and we hope the written articles, videos and podcasts have helped to explain the Fund Manager's thoughts and responses to the events of the year.

Costs

Your Company's most significant cost is the fee paid to the Manager for its services. This is linked directly to the size of the assets of your Company and so has reduced as markets and performance have fallen. However, I am pleased to report that despite many other costs being fixed and not flexed in response to the crisis, the cost of running the Company as a percentage of average net assets has remained at 0.58% in line with 2018 and 2019 and as the table above shows represents a fall of over a third since 2010. Your Board looks to manage the affairs of the Company as efficiently as possible and believes the overall cost level is competitive with alternative actively managed products. It is also worth repeating all our performance figures are quoted after these costs.

BMO Capital and Income Earnings and dividend progression (pence)



Source: BMO GAM

Responsible Investment

The Board and the Manager have long recognised and been committed to the importance of high standards of Environmental, Social and Governance (ESG) practice in assessing investments for inclusion in our portfolio. These standards also establish a framework for dialogue with those companies. We believe higher standards can help to deliver better and more sustainable long-term growth in capital and income, in addition to their own intrinsic merits. The Manager has one of the largest and longest established teams in the City dedicated to ESG and pages 24 to 27 explain in detail its ESG policies and the engagement the Manager has had with companies in our portfolio. The Board fully supports the Manager's engagement in this increasingly important area.

Board

As part of an orderly succession plan, Clare Dobie will retire from the Board during 2021. Clare, who is the Company's Senior Independent Director has served on the Board for more than eight years. With a background in financial journalism and investment marketing her insight into improving communication with the Company's Shareholders has been invaluable. Following Clare's retirement I am very pleased to report Tim Scholefield will become Senior Independent Director. On behalf of the Board and Shareholders of the Company I thank Clare for her commitment and wise counsel throughout her period of appointment.

As a further part of this plan a search company was commissioned to find a new Director for the Board. Following a thorough selection process, the Company is pleased to announce that Nicky McCabe will be appointed to the Board with effect from 1 January 2021.

Nicky McCabe was formerly Head of Product and Investment Trusts at Fidelity International, as well as a director and Chief Operating Officer of a number of Fidelity companies. Nicky is currently a non-executive director of Aberdeen Asian Income Fund Ltd, Artemis Investment Management Limited, Vitality Life Insurance and the charity, Tomorrow's People.

The Board looks forward to working with Nicky and to the valuable insights she will bring to the Board's deliberations.

Annual General Meeting

The Annual General Meeting (**"AGM"**) of the Company will be held at 11.30am on 16 February 2021 at Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG. Mindful of the potential for travel and gathering restrictions arising from the COVID-19 pandemic the Board has taken the difficult decision to amend the format of this year's AGM.

Shareholders will not be permitted to attend this year's AGM physically but will be able to view proceedings at the meeting electronically. Voting will occur in advance with Shareholders encouraged to utilise their Form of Proxy or Form of Direction, appointing the Chairman of the AGM as your proxy. The formal meeting will then be followed by a presentation by the Company's Fund Manager. Shareholders are requested to direct any questions they may have with regard to the resolutions proposed at the AGM or the performance of the Company, in advance of the meeting to bciagm@bmogam.com.

The Fund Manager's presentation will also be available on the Company's website www.bmocapitalandincome.com accompanied with a regularly updated Questions and Answers Schedule. Access details for the AGM will be included on the Form of Proxy or Form of Direction.

The Board has always valued the opportunity that the AGM provided to meet the Company's Shareholders. The Board looks forward to a resumption of our normal practices in 2022 and if possible, with the additional facility of online attendance for those Shareholders unable to travel.

Outlook

Earlier this year, there was some hope that the impact of the COVID-19 pandemic would lessen by now and that everyone's way of life could revert closer to pre-COVID-19 conditions with full social interactions, businesses reopened and economies showing sustained recovery. In Europe, including the UK, recovery has proved patchy and the new lockdown decreed for England, and the ongoing restrictions elsewhere, demonstrate that the extent and direction of the pandemic still cannot be predicted accurately. Even economies such as that of China, where very stringent measures were taken to control the virus, cannot yet fully relax their vigilance. The effect on all our lives has been substantial, and the UK Government's economic response to defend jobs and livelihoods, whilst welcome, will result in a level of Government borrowing which will need to be brought down in future to rebalance the country's books.

Notwithstanding the challenges, many companies have been able to respond vigorously to the necessary changes in their structures and operations. Those able to exploit and develop new techniques have proven resilient and many have actually prospered as more traditionally structured companies, particularly in the "bricks and mortar" retail space have suffered. There are opportunities for many companies to restructure and grow, and the Company will seek to identify and invest in those businesses. The Company's strong performance since the year end indicates that the portfolio is well placed to exploit these opportunities and achieve its objective of securing long-term capital and income growth for Shareholders.

Finally, I would like to thank you for your continuing support. Stay safe, and I wish you all well as together we meet the challenges and opportunities ahead.

Jonathan Cartwright
Chairman
25 November 2020

Purpose, Strategy and Business Model

Purpose and strategy

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

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

With values embedded around the needs of retail investors for over 28 years, the Company's investment strategy has produced outperformance and real rises in dividends over the longer term as reported on page 3. The investment philosophy and processes underpinning this strategy are set out on pages 22 and 23. By the promotion of the Company through appropriate channels the aim is to position the Company as a compelling investment choice, particularly for retail investors.

Business model

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

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

The Board remains responsible for decisions over strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 32 and 33; setting limits on gearing and asset allocation; monitoring investment performance; and setting and monitoring marketing budgets.

Alignment of values

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

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

Environmental, Social and Governance ("ESG") impact

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

Manager evaluation

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

The process for the evaluation for the year under review and the basis on which the decision to reappoint the Manager for another year are set out on page 48. The management fee is based on a percentage of the Company's assets under management.

Fund Manager and management of the assets

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

Managing risks and opportunities

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

Shareholders can assess the financial performance from the Key Performance Indicators that are set out on page 15 and, on page 28, can see what the Directors consider to be the Principal Risks that the Company faces. The risk of not achieving the Company's objective, or of consistently underperforming the Benchmark or competitors, may arise from any or all of inappropriate asset allocation, poor market conditions, ineffective or expensive gearing, poor cost control, loss of assets and service provider governance issues. In addition to regularly monitoring the Manager's performance, its commitment and available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include JP Morgan Chase Bank, (**"the Custodian"**) and JP Morgan Europe Limited (**"the Depositary"**) in their duties towards the safeguarding of the assets.

The principal policies that support the strategy are set out from page 32, whilst the Fund Manager's Review of activity in the year begins on page 10. In the light of the strategy, investment processes and control environment (relating to both the oversight of the Company's service providers and the effectiveness of the risk mitigation activities), the Board has set out on page 29 its reasonable expectation that the Company will continue in operation and meet its liabilities over the coming five years.

Communications and marketing with key stakeholders

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

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

Communication with Shareholders includes reporting the Company's activities and performance through the publication of its financial statements. The vast majority of Shareholders and BMO Savings Plan investors prefer not to receive such detailed information. To avoid losing this essential line of communication, we instead make available a short notification summary of the main highlights of our half-yearly and annual results. Shareholders and BMO Savings Plan investors are able to locate the full information on our website, bmocapitalandincome.com. Under normal circumstances, the Annual General Meeting (**"the AGM"**) of the Company provides a forum, both formal and informal, for Shareholders to meet and discuss issues with the Directors and Fund Manager. However, in light of the impact of the pandemic the Board has made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement on page 7. Through the Manager, the Company ensures that the BMO Savings Plan investors are encouraged to attend and vote at AGMs in addition to those who hold their shares as members on the main Shareholder register. Details of the proxy voting results on each resolution are published on the website where there is also a link to the daily publication of our NAV and our monthly factsheet.

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

Fund Manager's Review

"I remain convinced the best prospect for Shareholders lies in investing in high quality businesses with sound finances at attractive valuations."

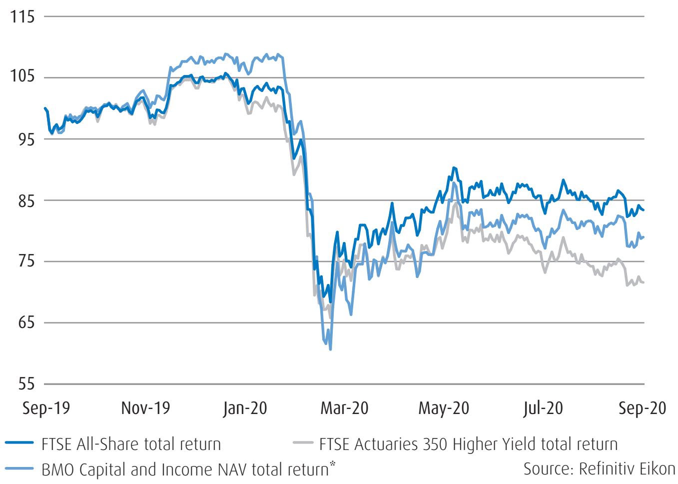
Julian Cane, Fund Manager

Review of the UK Stock Market and Our Performance

By any standards, events of the last year have been extraordinary and certainly amongst the most testing in my investment career. From the end of September 2019, through to February of this year, the performance of the UK stock market and our relative performance was good. Buoyed by the result of the General Election in December there was a sense a stronger Conservative Government would be better for the economy and Brexit negotiations; this in turn fed through into a more robust stock market with more domestically-focused companies being at the forefront. The main act, though, was yet to make its presence felt. Although early in 2020 we had been aware of the new disease that was circulating in Wuhan and then China, with hindsight, we, in common with most others, completely underestimated the ease with which the COVID-19 illness would spread and the damage it would cause, directly through hospitalisations and deaths, but also indirectly, through lockdowns and other government-led responses. Nothing remotely like this has been experienced by the western world for almost exactly 100 years with the Spanish Flu of 1918-20 being the closest analogy. More recent examples of SARS COV-1 (2002-03), swine flu (2009), MERS (2012) and Ebola (2014-16) proved completely misleading in their much more limited impact on national and global health and economies.

Although we aim for our portfolio to be able to perform well regardless of the economic background, that is not the same as saying the portfolio will perform well in any and every circumstance. Certainly the sharpest and deepest collapse in the UK economy in recorded history was not a situation for which we had prepared. As equity investors we are looking for growth opportunities and when large sections of the economy were forced to close, then there clearly were going to be severe consequences for those companies affected. In February and March, as the virus spread widely and national governments started to implement severe lockdown measures, the impact on our portfolio

High Yield stocks lagged broader FTSE All-Share Index (%)



Source: Refinitiv Eikon

*See Alternative Performance Measures on pages 84 and 85.

was greatest, not only in an absolute sense (the fall in our share price from 21 February to 23 March was 45.6%), but in a relative sense too. Between those two same dates, the FTSE All-Share Index fell by 34.0%, a difference of 11.6 percentage points, which more than accounts for our underperformance over the year.

Since the trough in late March, the market has rallied for a number of reasons. First and most importantly, support from governments and monetary authorities, both domestically and internationally, has been substantial and rapid. This went further than the model established during the Great Financial Crisis of 2008; that was primarily monetary in nature, whereas the support provided this time was both monetary and fiscal. Secondly, arguably, markets became too cheap. There appeared to be liquidity problems in many financial markets, forcing some investors to sell whatever they could; inevitably, in the face of such uncertainty, willing buyers were scarce and prices fell.

Absolute performance of stocks held in portfolio					
10 Strongest share price	Portfolio weight (%)	Total Return (%)	10 Weakest share price	Portfolio weight (%)	Total Return (%)
XP Power	1.0	80.0	Beazley	2.7	-50.1
Strix	0.4	45.2	Lloyds Banking	1.5	-51.3
FDM	0.7	40.9	BP	1.9	-53.1
IG	1.1	39.2	Babcock International	0.7	-54.6
SAP	1.3	28.0	Informa	2.4	-55.8
AstraZeneca	3.4	19.8	Ted Baker	0.0	-57.7
Rio Tinto	3.4	18.9	National Express	0.4	-58.1
Intertek	1.7	17.8	Royal Dutch Shell	2.2	-58.5
Keller	0.3	12.2	RPS	0.2	-69.2
Ferguson	0.2	11.7	Hyve	0.4	-81.1

Our initial recovery from this slump through to early June was very strong with a return of more than 20%, but as the crisis has continued so some of that optimism in the market drifted away with our NAV total return in the second half of the financial year being +9.0% compared to +7.0% for the Index.

As detailed by the chart on page 10, higher than average yielding shares performed particularly poorly in the year under review. With our emphasis on generating an attractive and growing dividend there is naturally some overlap between the constituents of this area and our portfolio. However, as we have documented many times we have been steadily reducing our exposure to high yield / no growth companies in favour of lower yielding, but faster growing companies. This transition has definitely been to our advantage this year. To some extent the poor performance of the highest yielding companies is a part of the style debate between Growth and Value investors. For some, the arguments take on a quasi-religious fervour, perhaps obscuring the fact investments in mature or declining industries with poor and falling returns don't have time working on their side; their value will be steadily reducing which will almost inevitably result in falling share prices.

We believed initially COVID-19 might follow the examples given above of the deadly viruses that did not cause any meaningful disruption to western economies. Even though nowhere near as deadly as MERS or Ebola, the infectiousness of COVID-19 has put it on a very different and more damaging path. Any material portfolio response would logically have required a forecast of the impact of a previously unknown virus, and also knowledge (or at least an informed estimate) of how governments would respond to the crisis. There really are no historical precedents either for such an illness in the modern world or the ways that governments have responded (or indeed could have responded); any combination of these could have put economies and companies on quite a different path. Alternatively, we could permanently run a more defensive portfolio in order to protect against such events, but the benefit that might potentially be experienced in such extraordinarily rare occurrences would mean missing many, many growth opportunities in other years.

We have held our nerve and believe the best defence for the portfolio and long-term performance is to invest in high quality, profitable, soundly financed companies. So long as they can survive through to a more normalised period and their business model or finances aren't broken, then a rebound in revenues, profits and ultimately share prices should occur. We have actively supported a number of the companies in our portfolio where their finances and liquidity were being challenged. By providing new capital via placings and rights issues we have helped those companies survive through the current crisis.

This year's results reflect the disconnect in performance caused by suffering an extremely rare event, but our longer-term track record still shows our approach can generate attractive returns over time.

Review of the Portfolio

Despite the sharp fall in the economy, a number of companies in the portfolio still reported strong results and even better share price rises. Last year, XP Power, a leading manufacturer of highly specialist power converters was the best performer in the portfolio. Demand for its products and the returns it generates are both high and this has led to a rerating of the shares. Likewise, Strix, a designer and manufacturer of kettle safety control and water filtration products, and FDM, an outsourced IT project manager showed strong share price returns on the back of good underlying results. IG's results were also robust, but in its case, performance also reflects an element of recovery from the prior year which was adversely impacted by regulatory changes.

Relative to the benchmark Index									
Top 10 contributors	Portfolio weight* (%)	Average weight relative to the Index* (%)	Total Return (%)	Contribution to relative performance (%)	Bottom 10 contributors	Portfolio weight* (%)	Average weight relative to the Index* (%)	Total Return (%)	Contribution to relative performance (%)
Royal Dutch Shell	2.2	-4.1	-58.5	2.7	Ibstock	2.0	2.0	-34.0	-0.4
HSBC	0.5	-4.1	-19.2	2.4	Forterra	0.6	0.6	-37.8	-0.5
BP	1.9	-1.7	-53.1	0.9	Hyve	0.4	0.4	-81.1	-0.5
Phoenix	3.1	3.0	7.1	0.8	Arrow Global	1.4	1.4	-41.5	-0.5
XP Power	1.0	0.9	80.0	0.7	Melrose Industries	2.1	1.7	-42.7	-0.6
LondonMetric Property	2.2	2.1	6.2	0.6	AstraZeneca	3.4	-1.7	19.8	-0.7
SAP	1.3	1.3	28.0	0.5	Vistry	2.8	2.8	-45.5	-0.9
Countryside Properties	2.9	2.8	2.3	0.5	Secure Income REIT	3.2	3.2	-38.3	-1.0
Intertek	1.7	1.3	17.8	0.5	Beazley	2.7	2.6	-50.1	-1.2
IG	1.1	1.0	39.2	0.5	Informa	2.4	2.0	-55.8	-1.3

* Average weighting during the year to 30 September 2020.

As might be expected in such a year, there were some very substantial falls. Two companies on the list on the previous page in effect had parts of their businesses closed by lockdown rules; Hyve and Informa run events, conferences and exhibitions world-wide, but these have been temporarily closed. National Express has similarly been affected by the sudden shift in work and leisure travel brought on by new rules and guidance. Some companies, such as RPS, a consulting business, Ted Baker, a fashion retailer, and Babcock International, had their own problems even before the virus hit. The oil majors, Royal Dutch Shell and BP came under pressure from two distinct sources: short-term problems stemming from the economic disruption, which in turn led to a sharp fall in the oil price, and longer-term existential issues such as environmental concerns and the growth in alternative, cleaner sources of power, such as the electrification of transport.

The absolute gain or loss of a company's share price though is only part of the equation that generates our performance. The size of the investment is crucially important, and when comparing our performance relative to the Index, the size of our investment relative to the Index becomes a key factor. The table above shows the three strongest contributors to our performance relative to the Index were from positions where the portfolio's weighting was less than that of the Index. Royal Dutch Shell, HSBC and BP were three companies that we have highlighted in previous reports as consistently generating relatively unattractive returns and our investments in these had been sharply scaled back over a period such that last year the really weak share price performance of those companies were a strong boost to our relative performance. However, it wasn't just about avoiding weak performers as the strength of the other companies attests.

Many of the weakest contributors to our relative performance were noted above and were a direct consequence of the response to the virus. The weakness in Beazley was very largely due to it having provided insurance for business interruption, including pandemic cover. Whilst it may be painful for an insurer to have to pay claims, it is an integral and essential part of the business model. Taking longer periods of time, Beazley has been a very successful business. Secure Income REIT also fell foul of the pandemic as it lets its hotel assets to Travelodge, where custom has clearly been severely impacted. The landlord and tenant relationship has come under pressure, but from 2022 the rental payments are expected to restart in full which should make this a temporary hiatus.

Gearing

We entered the financial year with relatively little gearing: a bank loan of £10m and cash of £4.2m compared to net assets of £338.1m. The cash was invested during the first six months and as shares fell in February and March a further £10m was borrowed and invested in new and follow-on opportunities where market movements were considered to be excessive. Our borrowing has stayed at £20m throughout the second half of our financial year and as returns were overall positive in this period, the use of debt was advantageous, but this was not sufficient to offset the gearing effect in the first half of the year when market conditions were much weaker.

Portfolio Turnover

It is an integral part of our investment philosophy and process to take a long-term view of our decisions and to invest in high quality companies with attractive long-term prospects; our level of activity within the portfolio is typically low as we are not looking to trade speculatively on short-term noise. This year our levels of trading were somewhat higher than in many other years, both because we invested more into the market in March in anticipation of a recovery (investing the money borrowed as noted above) and in order to make some changes to the underlying portfolio to reflect our views on the changing environment. We reduced the portfolio's already fairly modest exposure to travel, leisure and retail fearing these sectors may be very slow to recover or permanently changed as a consequence of the pandemic. This though was not a call on reducing economic sensitivity as we have added to construction exposure with the brick manufacturers Forterra and Ibstock and builders Countryside Properties and Vistry. Our largest acquisition was of Coca-Cola HBC, a large independent bottler in the Coca-Cola network. The totals for the year of purchases and sales were £48.3m and £27.4m respectively compared to average assets of £301.7m.

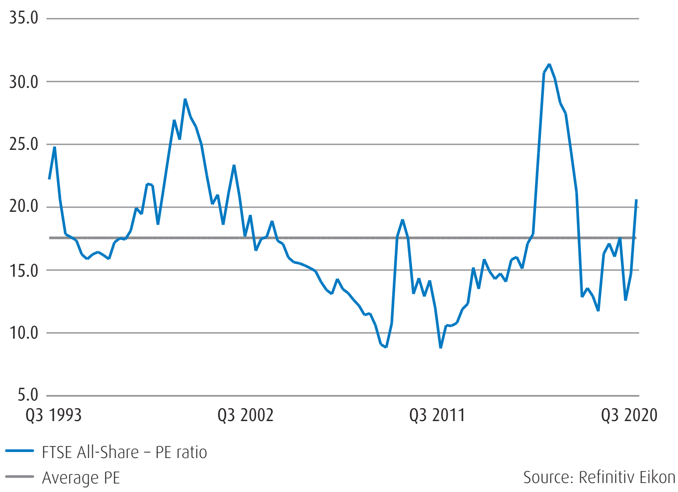
These changes in the portfolio have led to an overall reduction in the number of investee companies from 69 to 56 as we have sold those holdings with less attractive prospects and reinvested in those which we perceive to have greater upside and/or to be better quality. Although there are fewer companies in the portfolio, we still consider it to be well diversified, but each company now has greater potential to have a more significant positive impact on performance.

Revenue

The Government support schemes, further Quantitative Easing and cuts in interest rates undoubtedly did much to protect capital markets from what could have been even worse falls. These though did not really help companies at all when it came to making their decisions on dividend payments. Not only were most companies concerned about falling revenues and profits, there were significant liquidity problems, no clarity about the length or depth of the crisis, moral arguments as to whether it was correct to continue to pay dividends if companies were in receipt of Government assistance and in some sectors, regulatory restrictions. With this background, it was hardly surprising dividend payments were severely curtailed and the extent was even greater than during the Global Financial Crisis. In times of such great difficulty, equity investors, being the providers of the riskiest form of capital, are the first to suffer in order to help protect other capital providers and ultimately the business.

At the time of writing, as much of the UK is in a second lockdown, albeit notably different to the first, the situation is fast changing. Hopes are rising of an effective vaccine and if this is the case, then we may have been through the worst of the crisis. Companies most in need have already been able to strengthen their finances and many had made good progress in returning to some form of profitable trading. After the initial period of sharp cut-backs in dividends, we are now in limbo awaiting a period of greater visibility and confidence, while full recovery and normality are likely to be a way off for many. The speed with which companies return to paying dividends

FTSE All-Share price/earnings multiple



Source: Refinitiv Eikon

FTSE All-Share Dividend Yield (%)

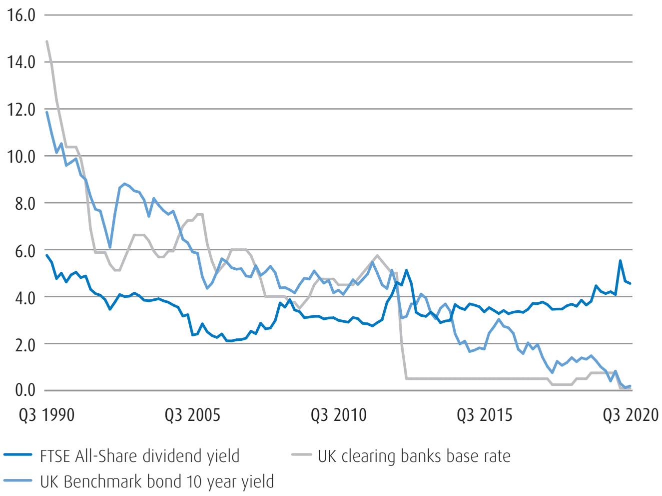
Source: Refinitiv Eikon

and perhaps even more vitally the amount of dividend they pay, will determine our income, and it is positive to note a number of companies are proposing to restart paying dividends.

Valuation of the Stock Market

Valuations for the UK stock market based on 2020 figures do not appear especially attractive. The historic price/earnings multiple is around its long-term average and although the historic dividend yield is well above average, for both, the full impact of the disruption to earnings and dividends is still coming through. Investors really should either look through to future years to value off prospective figures, or perhaps more simply look back to 2019. Both methods of course are fraught with potential problems – the future will not be the same as the past, and forecasts of the more distant future are inevitably subjective – but either method would suggest the UK market is not expensively valued by most historic standards.

Yields from investment assets (%)



Source: Refinitiv Eikon

In any event, the valuation of the overall stock market is not a great concern for us as we assess valuations on a stock-by-stock basis for inclusion in the portfolio. We have noted before the main UK stock market indices, because they are size-weighted, have been heavily skewed to the very largest companies such as Royal Dutch Shell, HSBC, BP and GlaxoSmithKline and this can obscure the valuations of the much larger number of medium and smaller sized companies.

Probably the most important variable in assessing the valuation of the stock market is the discount rate. We value companies by making an assessment of their earnings and cashflow well out into the future; the rate at which future cashflows are discounted to give them a value today makes a considerable difference. With government bond yields being close to record low levels and economic growth (beyond the immediate post-crisis bounce) likely to remain fairly lacklustre we don't expect the discount rate to increase materially in the short to medium-term; this helps to underpin the valuations we see in the stocks in our portfolio. Certainly, an investor would need to travel back in time many decades to find a situation where equity dividend yields were so much greater than bond yields and the bank base rate at a token 0.1% has never been lower since the Bank of England was founded in 1694.

2021 Financial Year to Date and Outlook

Since the start of our new financial year, the UK stock market has been buoyant with the rally really being driven by the promising trial results of vaccines that, it is hoped, will bring about a slowdown in or stop the spread of the virus. This in turn should allow social and economic life to recover more quickly. From 30 September 2020 to 23 November 2020, the total return of the FTSE All-Share Index was 9.6%, but our own NAV total return performance has been considerably stronger than that with a gain of 16.4%. This is clearly good news on its own, but it also more than counters our underperformance relative to the Index last year, thus restoring our performance record in the short, medium and long term.

In addition to the crisis caused by the virus and the Government's response, investment markets have also had to contend with the uncertainties caused by the UK's exit from the European Union and the US Presidential election. Both of these are seismic events in their own ways and in a more normal year, resolution of these would achieve some greater clarity and allow markets to heave a sigh of relief. However, as at the time of writing the outcome of the Brexit negotiations is still unknown and President Trump has seemingly only just accepted the inevitable. A good, or at least reasonable, trade deal for the UK post Brexit, may help to improve the UK stock market's valuation relative to other major markets.

Even if the vaccines are as successful as hoped, the ongoing problems caused by the virus and the Government's response are set to continue for a while longer. Further ahead, when the virus is brought under control, there will be very many issues to contend with. From an investment perspective, probably the most significant will be the substantial increase in government debt and the consequences arising from this. In these abnormal times, the unorthodox policy responses of Quantitative Easing have seemingly become normalised and with further challenges ahead perhaps Government and Central Bank responses will push boundaries further. Plausible cases can be made for a whole range of policies and outcomes, but I remain convinced the best prospect for Shareholders lies in investing in high quality businesses with sounds finances at attractive valuations.

Julian Cane
Fund Manager
25 November 2020

Key Performance Indicators

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

Total return performance

	1 Year %	3 Years %	5 Years %	
NAV per share Total Return*	(21.0)	(12.2)	19.8	This is used to measure the performance of the Manager in terms of capital and income growth and can be compared to the return of the Benchmark index.
Benchmark index: FTSE All-Share	(16.6)	(9.3)	18.6	
Share Price Total Return*	(20.3)	(13.5)	16.8	This is used to measure the return to Shareholders in terms of the capital growth and the dividends they have received and can be compared to the return of the Benchmark index.

Source: BMO GAM and Refinitiv Eikon

Compound annual dividend growth

	1 Year %	3 Years %	5 Years %	
Company's dividend	0.9	2.6	2.6	This shows the Company's dividend growth which can be compared to the changes in the UK Consumer Price Index (**"CPI"**).
Inflation (CPI)	0.5	1.6	1.7	

Source: BMO GAM and Office of National Statistics

Share price discount/premium to NAV per share

	As at 30 Sep 2020 %	As at 30 Sep 2019 %	As at 30 Sep 2018 %	
(Discount)/Premium(*)	(0.3)	(1.2)	0.9	This is the difference between the share price and the NAV per share. It is an indicator of excess supply over demand for the Company's shares in the case of a discount and the excess demand over supply in the case of a premium.

Source: BMO GAM

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

	2020 %	2019 %	2018 %	
Ongoing charges*	0.58	0.58	0.58	This is a measure of the cost of running the Company as a percentage of the average net assets. It can give an indication of cost efficiency over time and be compared to the Ongoing Charges of competitor investment vehicles.

Source: BMO GAM

* See Alternative Performance Measures on pages 84 and 85.

Twenty Largest Holdings as at 30 September

2020	2019		2020 % of total investments	2020 Value £'000s	2019 Value £'000s
1	2	**Unilever** (Consumer Staples) A leading manufacturer of branded fast moving consumer goods with more than half of its sales in emerging markets which have greater growth potential.	4.6	13,038	13,348
2	6	**Rio Tinto** (Basic Materials) One of the world's foremost mining companies. It has a diversified asset base, but its most significant interests are in low cost, high quality iron ore. It is our only current exposure to the mining sector.	4.1	11,637	10,522
3	1	**Diageo** (Consumer Staples) The largest producer of premium branded spirits in the world and also a major producer of beer. The strength of the brands and substantial exposure to markets with greater growth potential should lead to attractive returns.	4.0	11,527	14,499
4	10	**AstraZeneca** (Healthcare) A major international pharmaceutical company. Its product portfolio has started to generate better growth with more potential further out.	3.9	11,162	9,583
5	3	**GlaxoSmithKline** (Healthcare) One of the world's leading pharmaceutical companies with valuable healthcare and vaccines businesses. There are no major patent expiries until 2027 which should help to support the current dividend.	3.8	10,890	13,083
6	8	**Intermediate Capital** (Financials) A specialist lender to private companies with its own capital and increasingly for third-party investors. It has been experiencing very strong demand for its funds and generating strong returns. We expect it to come through this crisis well with potential to grow further and faster.	3.7	10,600	10,033
7	17	**OneSavings Bank** (Financials) This specialist challenger bank has been generating good returns and growing well at carefully controlled risk levels. These factors, together with the synergies arising from its merger with Charter Court Financial Services, should help it to come strongly through this crisis.	3.6	10,316	7,598
8	9	**Phoenix** (Financials) A UK domestic life assurer actively taking part in consolidation of the sector. The operational and capital efficiences and diversification benefits that come from increased scale underpin and drive an attractive dividend.	3.5	9,894	9,953
9	12	**Legal and General** (Financials) A focus on generating a strong and growing cash flow allows this UK life assurer to pay an attractive and growing dividend. Concerns over its credit exposure and solvency appear overdone, just as they were during the Global Financial Crisis.	3.1	8,947	9,303
10	19	**Countryside Properties** (Consumer Discretionary) Its main strength is its specialisation in urban regeneration of public sector land. These are typically long-term contracts, less profitable than mainstream housebuilding, but with fewer risks. The industry has been one of the first to try to return to some form of normal working.	2.9	8,400	7,039

2020	2019		2020 % of total investments	2020 Value £'000s	2019 Value £'000s
11	4	**Secure Income REIT** (Real Estate)* The highly successful Prestbury property management team has brought together a group of assets (hospitals, leisure parks and hotels) let to strong tenants. The current year will clearly be a challenge to some of these, but they should see recovery in the longer-term.	2.7	7,699	13,050
12	22	**LondonMetric Property** (Real Estate) This Real Estate Investment Trust owns a desirable and differentiated portfolio of properties. It has a particular focus on delivering reliable and growing income-led total returns.	2.6	7,587	6,522
13	18	**Compass** (Consumer Discretionary) Compass is the global leader in outsourced catering. Prior to the current year, there had been a structural shift towards increased outsourcing leading to attractive rates of growth; with its scale Compass has been able to offer its clients great value. We expect these trends to resume once the current crisis has abated.	2.3	6,544	7,576
14	–	**Coca Cola HBC** (Consumer Staples) This is the third largest independent bottler in the global Coca-Cola system, operating in 28 countries, particularly in Eastern Europe and Nigeria, where long-term growth prospects should be attractive. It generates attractive returns.	2.2	6,405	–
15	27	**Intertek** (Industrials) This is a global Testing, Inspection and Certification business. It generates strong returns and should be a beneficiary of ever-tighter regulations and higher required standards and visibility throughout companies' supply chains.	2.2	6,328	5,478
16	15	**Prudential** (Financials) International life assurer that has been seeing rapid growth in the Far East, together with attractive returns from its operations in the UK and US. The business has long appeared to trade at a discount to the sum of its constituent parts and the process of realising this has begun.	2.1	6,099	8,110
17	13	**Informa** (Consumer Discretionary) A worldwide provider of information to a variety of end users (businesses, academics, individuals) across a range of sectors through a number of media (books and journals, internet, exhibitions and events). Its equity placing earlier in the year significantly strengthens its financial position.	2.1	5,998	8,672
18	5	**Beazley** (Financials) A specialist insurer with a diverse underwriting portfolio that has historically generated good returns and growth. This year's results will be badly impacted by COVID-19 related losses, but they should recover strongly in subsequent years.	2.1	5,973	10,729
19	–	**Hipgnosis Songs Fund** (Financials) This fund invests in music copyright and receives royalties when the music is played or used. The fund should benefit from the rapid growth of digital streaming which has turned around the music industry after a long period of decline.	2.0	5,825	4,601
20	26	**Howden Joinery** (Consumer Discretionary) This business designs, manufactures and sells fitted kitchens, mostly in the UK. Its efficiency and ownership of the value chain makes it a high returning business with the potential to grow and improve returns further.	2.0	5,788	5,492

The value of the twenty largest holdings represents 59.5% (30 September 2019: 57.2%) of the Company's total investments.

*Quoted on the Alternative Investment Market in the UK.

Investment Portfolio by Sector

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Energy This industry was the single most positive contributor to our relative performance over the year. It is dominated by the size of the two oil majors, Royal Dutch Shell and BP. The average size of our investments in these companies (2.2% and 1.9% respectively) was considerably less than their weightings in the Index (6.2% and 3.6%). The steep falls in their share prices (-57.9% and -53.1%) were therefore positive for our performance relative to the Index. Historically, the main attraction of these companies had been their high yield, but dividend cuts have undermined this. Our concerns about the industry encompass many aspects of the companies' operations, not least the transformation of the sources of energy to less polluting alternative, in addition to the unpredictability of the oil price, the main commodity they produce and sell.	(56.1)	(54.5)	4.1	11.1	+4.1
Basic Materials Rio Tinto is now our only investment in this industry following the sale of our small investment in Anglo Pacific in January. We continue to believe Rio has the highest quality assets and most sustainable returns across the business cycle. Despite the economic collapse and uncertainty, the price of copper, one of Rio's main commodities, rose during the year.	17.2	10.4	3.5	7.1	-0.8
Industrials Although there were strong performances from some of the companies in this group, the weakness of others outweighed them. The strongest contributors to performance were XP Power (+80.0%), Strix (+45.2%) and Intertek (+17.8%), while our scepticism on Rolls-Royce led to us avoiding its collapse (-83.5%). The economic and business specific sensitivities of some of our other holdings led to sharp falls in their share prices: Melrose Industries (-42.7%), Forterra (-37.8% and which was a new holding started in the year) and Ibstock (-34.0%). Ferguson, predominately a US specialist distribution business, was also a new addition (+11.7% since purchase).	(16.5)	(4.8)	15.6	11.6	-1.4

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Consumer Staples In this group, Unilever (+0.9%), our largest single investment, was the only material positive contributor to returns, but this was more than outweighed by the effect of not owning Reckitt Benckiser (+22.3%) and Ocado (+107.5%). Diageo, formerly our largest investment, had a more difficult year (-18.4%). Our new investment in Coca-Cola Hellenic Bottling Company, which is part of this group, was the largest individual addition to the portfolio during the year.	(11.0)	(2.8)	11.2	14.8	-1.5
Healthcare Although we have a substantial investment in AstraZeneca (+19.8%) it is a smaller weighting than in the FTSE All-Share Index and hence a negative contributor to relative performance. Yet again it was an area in which to avoid the sharp losses; we had no investments in NMC Health (-99.8%) Georgia Healthcare (-51.5%) or Smith & Nephew (-21.0%).	1.2	2.1	7.3	10.6	-0.9
Consumer Discretionary This was the industry group with the single largest negative contribution to our relative performance. Within the grouping, Informa (-55.8%), Vistry (-45.5%) and Hyve (-86.4%) were the most negative contributors as the steps taken by governments, both domestically and internationally, forced closures of their businesses. We benefited from not owning the travel companies most severely impacted by the crisis, including International Consolidated Airlines (-70.2%), Carnival (-69.6%) and TUI (-67.5%). We made a number of changes to this part of the portfolio, reflecting both its sensitivity to the economic collapse and our expectations for its eventual recovery. Amongst other transactions we sold our exposures to travel related companies (National Express and Go-Ahead), and to High Street retailing (the Works and Ted Baker), while supporting the share placings of Informa and Compass and adding to our house building exposure in Countryside Properties and Vistry.	(35.7)	(22.6)	18.1	11.2	-3.7
Telecommunications Our concern is the major telecoms companies have no real product or service differentiation or pricing power in a highly commoditised market and this has led us to having no investments in the sector. The fall in the share prices of Vodafone (-33.0%) and BT (-43.6%) were therefore positive for our relative performance.	–	(32.4)	–	2.6	+0.5

	Performance of this sector in the portfolio %	Performance of this sector in the FTSE All-Share Index %	Average Portfolio weighting %	Average FTSE All-Share weighting %	Impact on relative performance %
Utilities We have not invested in Centrica for several years and its continued fall (-44.4% last year and -47% in the previous year) was therefore a positive factor for our performance. National Grid (+6.3%) is our only investment in this area, giving us an underweight position in the industry. Similar to many of the other regulated utilities, it performed reasonably well as their characteristics of dull, largely predictable returns became more appealing in an economic and financial crisis.	6.3	4.4	1.2	3.3	-0.4
Financials The largest sub-sector in this group are the Banks, to which we have had no exposure since selling the small investment in HSBC in the first half of our financial year. Its subsequent sharp fall (-51.1% for the full year) and that of Standard Chartered (-48.0%) were therefore positive for our relative performance. More positively, the security of the dividend from Phoenix (+7.1%) and recovery of IG (+39.6%) helped our performance. The most negative contributions were from Beazley (-50.1%) and Arrow Global (-41.5%), both largely for COVID-19 related reasons. Our investment in Hipgnosis Songs Fund, to which we added over the year, is categorised as a Financial because it is a fund, but in practice we expect the dominant dynamic to be the growth in internet streaming for music.	(19.7)	(21.6)	28.0	23.0	+0.5
Technology This group has shown time and again that year-to-year returns can be volatile, but that taking a longer-term view with the right businesses can be successful. Our investment in the German business SAP (+28.0%) performed well as did FDM (+40.9%) making them the top two positive contributors in the group.	9.6	9.6	3.5	2.0	+0.4
Real Estate The most significant detractor to value came from the sharp fall in the share price of Secured Income REIT (-38.3%) which has been discussed in the Fund Manager's Review. Although very disappointing, we view the shares as undervalued at this point and the fall was only in line with the two bellwethers of the industry, Land Securities (-38.2%) and British Land (-40.7%); we have not owned either of these two for years. This more than countered the performance of LondonMetric Property (+6.2%, in which we bought more shares during the year) and Sirius Real Estate (+4.9%).	(17.4)	(14.8)	7.4	2.8	-0.1

List of Investments

Quoted investments	Holding	30 September 2020 Value £'000s
UNITED KINGDOM – EQUITIES		
Arrow Global	3,000,000	3,798
Ascential	900,000	2,648
AstraZeneca	132,000	11,162
Babcock International	500,000	1,252
Beazley	1,957,254	5,973
BP	1,600,000	3,603
British American Tobacco	180,000	4,999
Burberry	200,000	3,108
Burford Capital*	850,000	5,311
Close Brothers Group	470,000	4,799
Coca Cola HBC	335,000	6,405
Compass	560,000	6,544
Countryside Properties	2,500,000	8,400
CRH	190,000	5,312
Diageo	435,000	11,527
DS Smith	1,272,727	3,744
FDM	226,881	2,310
Ferguson	45,000	3,514
Forterra	1,975,000	3,496
GlaxoSmithKline	750,000	10,890
Hipgnosis Songs Fund	5,000,000	5,825
Howden Joinery	980,000	5,788
Ibstock	3,050,000	4,755
IG	475,000	3,760
Informa	1,593,024	5,998
Intermediate Capital	890,000	10,600
Intertek	100,000	6,328
Jupiter Fund Management	700,000	1,568
Keller	149,953	906
Legal and General	4,750,000	8,947
Lloyds Banking Group	11,650,000	3,070
LondonMetric Property	3,420,474	7,587
M&G	550,000	877
Melrose Industries	4,500,000	5,195
Midwich*	255,582	820
National Grid	420,000	3,735
OneSavings Bank	3,700,000	10,316
Phoenix	1,439,776	9,894
Polypipe	406,896	1,754
PRS REIT	1,923,860	1,501
Prudential	550,000	6,099
Rio Tinto	250,000	11,637
RM	802,593	1,421
Royal Dutch Shell	425,000	3,995
Sage	332,716	2,398
Schroders (non-voting)	175,000	3,241
Secure Income REIT*	2,900,000	7,699
Signature Aviation (formerly BBA Aviation)	1,200,000	2,864
Sirius Real Estate	4,302,273	3,136
Strix*	695,767	1,687
Ultra Electronics	139,213	2,904
Unilever	273,000	13,038
Vistry Group (formerly Bovis Homes)	1,003,521	5,700
WPP	430,000	2,614
XP Power	89,085	3,938
UNITED KINGDOM TOTAL EQUITY		280,390
EUROPE (EX UK) – EQUITIES		
SAP (Germany)	36,964	4,453
EUROPE (EX UK) TOTAL EQUITY		4,453
TOTAL INVESTMENTS		**284,843**

The number of investments in the portfolio is 56 (2019: 69).

*Quoted on the Alternative Investment Market in the UK.

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

Manager's Investment Philosophy and Process

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

By investing in such companies at attractive prices, superior investment performance can be generated. In particular, we believe 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 the market eventually rewards this success with higher valuations.

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

The Investment Process Focuses on Three Aspects for Each Company

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

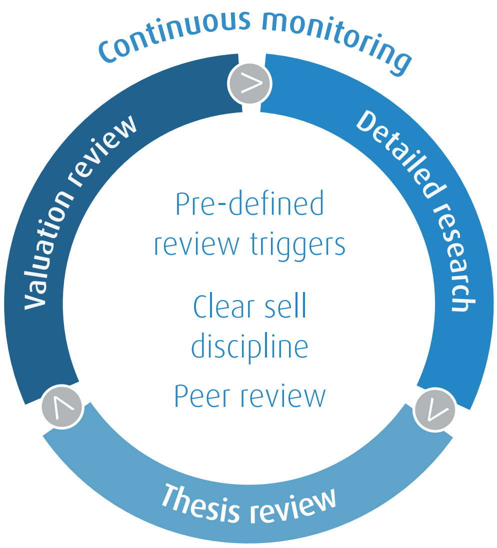
We carry out detailed analysis of all the companies in which we invest, looking in particular at three aspects: the Quality of the company; its Management; and the Valuation of the shares. Amongst the most important issues examined are a thorough assessment of the sustainability of the company's competitive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

Our research is conducted in-house and is peer reviewed by the wider investment team prior to any purchase decision. This ensures the benefit of shared knowledge and experience is brought to bear on each investment. The progress of the company and its share price will then be continuously 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; continuous monitoring; and diversification of the investment portfolio. Reasons to sell can be driven by positive or negative factors: positive, if the value of the company has risen to our assessment of its value, or negative, if the assessment of the company's long-term value deteriorates significantly. An investment may also be sold if, for example, a similar, but cheaper alternative can be found or if the size of the investment position has become larger than is preferred for risk purposes.

Julian Cane
Fund Manager
25 November 2020

Implementation of the Investment Process



Sustainability
and ESG

As stewards of more than £266 million of assets, we support positive change. The Company benefits from the Manager's leadership in this field and its £215 billion of assets under its management.

National Grid –
North Sea Link Project

Our approach

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

The Company's compliance with the revised AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on pages 40 to 41. In addition, the Principal Policies statement on pages 32 and 33 notes the Company's policies towards board diversity, integrity and business ethics, prevention of the facilitation of tax evasion and the Modern Slavery Act 2015.

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

Responsible ownership

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

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

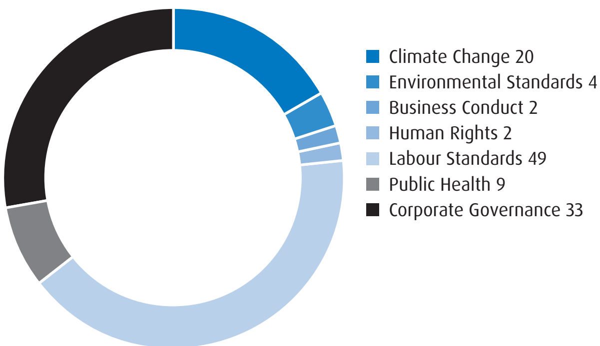
The Manager is also a signatory to the United Nations Principles for Responsible Investment (**"UNPRI"**) under which signatories contribute to the development of a more sustainable global financial system. As a signatory the Manager aims to incorporate ESG factors into its investment processes.

ESG and the investment process

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

Engagement

Issues raised with companies on engagement



Source: BMO Investment Business Limited

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

Kristi Mitchem, CEO BMO Global Asset Management

In the year under review, the Manager engaged with 36 investee companies held by the Company on a range of ESG topics as illustrated above.

One key area for engagement was labour standards, where the Manager entered into dialogue with a number of companies across sectors to encourage stronger policies, including to become accredited as living wage employers, and to protect the mental health of their workforce during the unprecedented working environment caused by COVID-19.

Corporate governance remained a priority area for engagement, including continuing to press for executive pay practices that reflect the outcomes for both shareholders and employees. As well as addressing material risks, this engagement also aims to support social and environmental progress, and in particular the achievement of the UN's Sustainable Development Goals.

Engagement examples in the reporting period	
BP – Climate Change	Since 2006, we have engaged more with BP than any other company. Of these engagements, Climate Change has been our area of greatest focus as the company is one of the oil supermajors. In February 2020, the new CEO, Mr Bernard Looney, made a set of climate change pledges with the overall ambition to see BP operating as a "net-zero emission" company by 2050. Since Q4 2019, we have been providing feedback and help to shape these pledges, including a series of meetings with Mr Looney when he was the CEO-elect. These pledges are, in our view, significantly important to the transition to low carbon energy required to limit global warming to well below 2-degree Celsius. Since the announcement of BP's pledge, we are following through to ensure there is a credible plan, developing the low carbon opportunities whilst decarbonising the residual Oil & Gas assets.
AstraZeneca – Response to COVID-19	We led a collaborative investor engagement call with AstraZeneca regarding responsible practices during the COVID-19 pandemic. We discussed how the company's response to the pandemic is aligned with the six high-level principles underpinning our engagement. These principles range from considering employee safety to taking measures to protect suppliers. We also discussed its work on COVID vaccines and the strategic intentions of the company if it were to be successful. We were very encouraged to learn landmark agreements have already been reached with the Coalition for Epidemic Preparedness Innovations (CEPI), Gavi the Vaccine Alliance, and the Serum Institute of India (SII). These agreements enable accelerated access to the potential vaccine in low- and middle-income countries. Regarding supply chain and human capital management, we were assured AstraZeneca's supply chains are currently robust and well-functioning, we were provided with a variety of examples demonstrating how employees are being supported during this crisis, including help with childcare.
Intertek – Executive Pay	In recent years, the level of pension contribution received by executives has been under scrutiny by investors due to the excessive size of awards. Intertek's CEO receives a pension contribution several times that of other employees which we consider to be unjustified considering the overall pay package. In addition to not supporting the resolution on the Remuneration Report at the last Annual General Meeting, we have discussed this issue at length with the Remuneration Committee chair and continue to ask for change.

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

Milestone examples in the reporting period	
Beazley PLC	Implemented positive changes to its executive remuneration policy following shareholder consultation.
Lloyds Banking Group PLC	Committed to halve carbon emissions linked to financing activities in 10 years.

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 early 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.

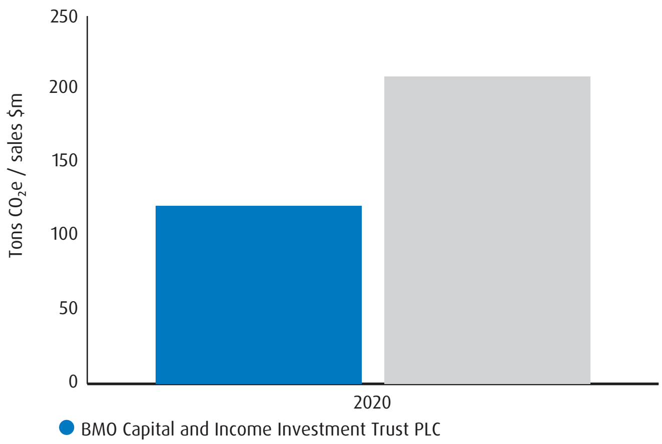
We expect the Company's shares to be voted on all holdings where possible. During the year, the Manager voted at 74 meetings of companies held in the Company. The Manager did not support management's recommendations on at least one resolution at approximately 42% of all meetings. With respect to all items voted, the Manager supported over 96% of all management resolutions. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, the Manager did not support 22.5% 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: MSCI ESG

Investing in sustainability leaders

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

Leader examples in the reporting period	
BP plc	BP has committed to become a net-zero operating company by 2050 meaning it will neutralise its operational emissions and the emissions emitted during the use phase of its products.
National Grid plc	Announced an ambition to reduce its direct greenhouse emissions to net zero by 2050.

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.

Principal Risks and Future Prospects

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

The principal risks together with their mitigations are set out in the table below. The Board's processes for monitoring them and identifying emerging risks are set out on pages 45 and 46 and in note 21 to the accounts.

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

The principal risks identified as most relevant to the assessment of the Company's future prospects and viability are detailed below. The Board considers that with the spread of the pandemic the threat from some principal risks has increased and have considered this in relation to going concern, see page 36.

Principal Risks	Mitigation
Unfavourable markets or asset allocation, sector and stock selection and use of gearing and derivatives are inappropriate giving rise to investment underperformance as well as impacting capacity to pay dividends. **Increase in overall risk due to COVID-19**	The portfolio of quoted securities is diversified and the Company's structure enables it to take a long-term view. Investment policy, performance, revenue and gearing are reviewed at each Board meeting. The Manager's Performance and Risk Oversight team provides independent oversight on investment risk management. The Board regularly considers operating costs along with underlying dividend income and the implications for the dividend payment capacity of the Company taking into account revenue reserves.
Errors, fraud or control failures at service providers or loss of data through increasing cyber threats or business continuity failure could damage reputation or investors' interests or result in losses. **Increase in overall risk due to COVID-19**	The Board receives regular control reports from the Manager covering risk and compliance including oversight of third party service providers. The Board has access to the Manager's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately. The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.
Inappropriate business or marketing strategy particularly in relation to investor needs or sentiment giving rise to a share price discount to NAV per share. **Unchanged throughout the year under review**	At each regular Board meeting the Directors receive an update on marketing activities and from the broker. To gauge investor sentiment, the Board holds a Shareholder satisfaction survey which is conducted every five years ahead of a vote on whether the Company should continue. The Board holds a separate meeting to consider strategy and associated opportunities and threats and the performance. The appointment of the Manager is also reviewed annually in terms of its delivery of sustainable long-term growth in capital and income. This includes the growing recognition of the importance of further development and application of high standards of ESG practice by the Manager. Share buybacks can be employed to help moderate extensive discount volatility, while share issues can be made when the shares are trading at a premium.

Through a series of connected stress tests ranging from moderate to extreme scenarios and based on historical information, but forward looking over the five years commencing 1 October 2020, the Board assessed the risks of :

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

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

Actions taken on Principal Risks in the year

Prior to the onset of the pandemic the Company was outperforming its benchmark and had achieved a record high share price and NAV in January.

Since March 2020 additional Board meetings have been held at short notice to review and consider investment performance and wider economic issues.

Following the onset of the pandemic home working arrangements have been implemented at the Manager and many of the Company's key suppliers without any noticeable impact upon service delivery and operations. The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions as part of the integration of its operations with BMO including IT security. Supervision of third party service providers has been maintained by the Manager and includes assurances regarding IT security and cyber threat. The Depositary oversees custody of investments and cash and reports to the Company in accordance with the Alternative Investment Fund Managers Directive (**"AIFMD"**).

The Board agreed to the continuing appointment of the Manager, which has continued to deliver on the Company's objective. A total of approximately 3.9 million shares were issued to satisfy Shareholder demand and help contain the premium. No buybacks were necessary.

Five-Year Horizon

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

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, UK publicly listed securities and which restricts the level of borrowings.
- Subject to the outcome of five-yearly Shareholder continuation votes, the Company's business model and strategy are not time limited.
- The Company is inherently structured to generate long-term returns, with a five-year period viewed as a reasonable time frame for measuring and assessing medium to longer term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure, including the ability to use short-term borrowings by way of loans and overdrafts and the capacity to secure additional finance well in excess of five years.
- There is robust monitoring of the headroom under the Company's bank borrowing covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all of its assets which are safeguarded as described under "Safe custody of assets" and "Depositary" on page 38.

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

As discussed in note 20 to the Financial Report on page 71, the Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the NAV of the Company in the short to medium term. The Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 23 November 2020, the last practicable date before publication of this report, borrowings amounted to £20 million. This is in comparison to a net asset value of £310.6 million. In accordance with its investment policy the Company is invested mainly in readily realisable, FTSE All-Share listed securities. These can be realised, if necessary, to repay the loan facility and fund the cash requirements for future dividend payments.

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

Based on this assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period ending November 2025. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing these financial statements.

Promoting the Success of the Company – Section 172 Statement

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

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

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

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

The Company's primary working relationship is with the Manager. The portfolio activities undertaken by the Fund Manager and the impact of decisions taken are set out in the Fund Manager's Review on pages 10 to 14. On pages 24 to 27 information is provided on the Company's approach towards responsible investment. The Directors are supportive of the Manager's approach, which focuses on engagement with the investee companies on ESG issues and how this links with the United Nations Sustainable Development Goals (**"SDGs"**). Further information on the annual evaluation of the Manager, to ensure its continued appointment remains in the best interests of Shareholders, is set out on page 48.

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

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

The Manager also engages with the Company's larger Shareholders and the outcome of these discussions are reported to the Board at the following Board Meeting. Shareholders are invited to communicate with the Board through the Chairman or Company Secretary. Alternatively, issues can be discussed with the Company's Senior Independent Director, who can be contacted at the Company's registered office address detailed on page 50.

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

Dividends

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

Share issuance

Ensuring that liquidity is maintained for the Company's shares is important to Shareholders. The Company has issued approximately 3.9 million shares during the year at a premium to NAV. This policy provides liquidity and is accretive to the NAV of existing Shareholders but also helps moderate share price volatility.

Board succession planning

The Board is committed to ensuring that its composition is compliant with best corporate governance practice under the revised AIC Code including guidance on tenure. With effect from 1 January 2021 Nicky McCabe will be appointed to the Board. Clare Dobie will retire from the Board during 2021. These changes allow for the retirement of the Company's longest serving Director while maintaining an appropriate balance of skills and experience on the Board.

Retail investors

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

Principal Policies

Investment

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

The Company invests mainly in FTSE All-Share companies in a diversified portfolio. At the year end the Company was invested in 56 holdings. There are no maximum limits across sectors. The Company can invest in securities listed on the Alternative Investment Market (**"AIM"**) up to a limit of 10% at the time of investment. No single investment in the portfolio may exceed 10% of the Company's total assets at the time of purchase and no unquoted securities may be purchased without the prior approval of the Board. The total value of its investments held outside the UK must not exceed 10% of the portfolio value at the time of investment but no individual country limits are imposed. The proportion of the portfolio held in FTSE All-Share and AIM listed companies as at 30 September 2020 was 93% and 5% respectively. Only 2% of the total portfolio was held outside the UK, all in continental European stocks.

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

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

The Board carries out due diligence with regard to the investment policy and underlying policies at each of its Board meetings receiving regular reports from the Fund Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting. The Fund Manager's Review on pages 10 to 14 provides an overview of the outcome from the application of the investment policy and the underlying policies during the course of the year.

Borrowing

Using its closed-ended investment company structure, the Company can borrow over short, medium or long-term periods within a range of 0 to 20% of net assets to enhance Shareholder returns. Gearing was a modest contributor to returns for the year under review. As at 30 September 2020 the Company had borrowings of £20 million. The Board monitors borrowing levels and covenant headroom at each Board meeting.

Dividend

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

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

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

Premium/Discount

The Company issues any shares in order to satisfy Shareholder demand and to moderate any premium at which the shares have traded in relation to the NAV per share. When the shares revert to trading at a price lower than the NAV per share, the Board has the flexibility to buy back shares in accordance with the authority given by Shareholders. Shares bought back can either be cancelled or held in treasury for potential resale at a premium. This policy has the benefit of enhancing NAV per share for continuing Shareholders. The Board reviews the discount and premium levels at each meeting. The shares traded at an average premium of 0.4% throughout the year. The shares ended the year at a 0.3% discount. Approximately 3.9 million shares were issued during the year ended 30 September 2020 as reported on page 69 and none were bought back.

Taxation

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

Board diversity

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

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

Integrity and business ethics

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

Prevention of the facilitation of tax evasion

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

Modern Slavery Act 2015

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

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

Jonathan Cartwright
Chairman
25 November 2020

Directors

Jonathan Cartwright was appointed to the Board on 26 November 2019 and was elected by Shareholders on 11 February 2020. He became Chairman of the Company with effect from 1 April 2020. He is Chairman of Mobeus Income & Growth 4 VCT plc and a non-executive director of British Smaller Companies VCT PLC and Tennants Consolidated Limited. Until recently he was Chairman of Blackrock Income and Growth Investment Trust PLC and The Income and Growth VCT PLC. He qualified as a chartered accountant with KPMG and thereafter held the role of group financial controller at Hanson PLC. He moved to Caledonia Investments PLC where he became Finance Director and retired in 2009 after 20 years' service.

Sharon Brown, Chairman of the Audit and Management Engagement Committee. Appointed to the Board on 16 September 2013 and was last re-elected by Shareholders on 11 February 2020. She is a non-executive director and chair of the audit committees of European Opportunities Trust PLC, Celtic PLC and Baillie Gifford Japan Trust PLC. She is also a director of a number of limited companies in the retail sector. She was previously a non-executive director and Chair of the Audit Committees of McColls Retail Group PLC and Fidelity Special Values PLC. She is a fellow of the Institute of Chartered Management Accountants and was, between 1998 and 2013, Finance Director and Company Secretary of Dobbies Garden Centres PLC.

Clare Dobie, Senior Independent Director. Appointed to the Board on 16 July 2012 and was last re-elected by Shareholders on 11 February 2020. She is a non-executive director of Alliance Trust PLC and Schroder UK Mid Cap Fund PLC. Until 2015 she also ran her own marketing consultancy. She began her career as a financial journalist, working at the BBC, The Times and The Independent, where she was City Editor. She was then Head of Clients at Barclays Global Investors and Head of Marketing at GAM. She will retire from the Board during 2021.

Jane Lewis was appointed on 24 November 2015 and was last re-elected by Shareholders on 11 February 2020. She is Chairman of Invesco Perpetual UK Smaller Companies Investment Trust PLC and a non-executive director of BlackRock World Mining Trust PLC, Majedie Investments PLC and The Scottish Investment Trust PLC. She was a Director of Corporate Finance and Broking at Winterflood Investment Trusts until August 2013. Prior to this she worked at Henderson Global Investors and Gartmore Investment Management Limited in investment trust business development and at WestLB Panmure as an investment trust broker.

Tim Scholefield was appointed to the Board on 25 November 2014 and was last re-elected by Shareholders on 11 February 2020. He is Chairman of City Merchants High Yield Ltd and a non-executive director of Fidelity Asian Values PLC and Standard Life UK Smaller Companies Trust PLC. He has 30 years of investment experience, including his role as Head of Equities at Baring Asset Management until April 2014.

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

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

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 September 2020. The Directors' biographies, Corporate Governance Statement; the Report of the Nomination Committee; the Report of the Audit and Management Engagement Committee; and the Remuneration Report form part of this Directors' Report.

Statement regarding Report and Accounts

The Directors consider that following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit and Management Engagement Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on page 14. Principal risks can be found on page 28 with further information on page 71. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R, other than in respect of Listing Rule 9.8.4(7)R concerning the issue of shares which is on page 36.

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

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

Results and dividends

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

Dividends paid in the year ended 30 September 2020	
	£'000s
4th interim for the year ended 30 September 2019 of 3.75 pence per share paid on 30 December 2019	3,854
1st interim for the year ended 30 September 2020 of 2.65 pence per share paid on 31 March 2020	2,746
2nd interim for the year ended 30 September 2020 of 2.55 pence per share paid on 30 June 2020	2,703
3rd interim for the year ended 30 September 2020 of 2.55 pence per share paid on 30 September 2020	2,721
	12,024

As explained in the Chairman's Statement, the Board has declared a fourth interim dividend of 3.75 pence per share. This will be paid on 17 December 2020 to Shareholders on the register on 4 December 2020. This dividend, together with the other three interim dividends paid during the year makes a total dividend of 11.50 pence per share. This represents an increase of 0.9% over the 11.40 pence per share paid in respect of the previous year.

As dividends are paid quarterly in March, June, September and in December, the Company does not pay a final dividend in February that would otherwise require formal Shareholder approval at the AGM. Formal approval will therefore be sought at the AGM to continue quarterly payments. **(Resolution 2)**.

Continuation vote

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

Company status

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

Taxation

As set out on page 33 and in note 7 to the accounts as an investment trust, the Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with section 1158 Corporation Tax Act 2010. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Accounting and going concern

The financial statements, starting on page 57, comply with current UK financial reporting standards, supplemented by the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (**"SORP"**). The significant accounting policies of the Company are set out in note 2 to the accounts. The unqualified auditor's opinion on the financial statements appears on pages 52 to 56. As discussed in the Five Year Horizon on page 29 and note 20 to the financial statements on page 71, additional considerations were given to assessing the applicability of the going concern basis of accounting this year. The COVID-19 pandemic and the resulting restrictions on social gathering and movement have resulted in increased volatility in financial markets and economic disruption. When assessing going concern the Directors have therefore considered this in addition to the Company's objective, strategy and policy, its current cash position, the availability of its loan facility and compliance with its covenants and the operational resilience of the Company and its service providers.

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

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

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

Based on this assessment, and in light of the controls and monitoring processes that are in place, the Directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of the approval of the financial statements. Accordingly, it is reasonable for the financial statements to continue to be prepared on a going concern basis. The Company's longer term viability is considered in the Future Prospects "Five-Year Horizon" Statement on page 29.

Capital structure

As at 30 September 2020 there were 106,709,268 ordinary shares of 25 pence each in issue. As at 23 November 2020 (being the latest practicable date before publication of this report) the number of ordinary shares was 106,864,022.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 15 to the accounts. The revenue profits of the Company (including accumulated revenue reserves), together with the realised capital profits, are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to Shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Issue and buyback of shares

At the AGM held on 11 February 2020 Shareholders renewed the Board's authority to issue ordinary shares up to 10% of the number then in issue. To satisfy demand for the Company's shares, mainly from holders through the BMO savings plans, the Company issued shares on 22 separate occasions in the year under review. A total of 3,925,000 shares with a nominal value of £981,250 were issued to Cenkos Securities plc in a range between 221.00 pence and 358.00 pence and at an average price of 270.80 pence for a total consideration of £10,629,000 before the deduction of issue costs.

Subject to annual Shareholder approval, the Company may also purchase up to 14.99% of its own issued ordinary shares at a discount to NAV per share. The shares bought back can either be cancelled or held in treasury to be sold as and when the share price returns to a premium. At the AGM held on 11 February 2020 Shareholders gave the Board authority to buy back ordinary shares up to 14.99% of the number then in issue. No shares were bought back either during the year under review or since the year end to the date of this report. No shares are currently held in treasury.

Voting rights

At 23 November 2020 the Company had 106,864,022 ordinary shares in issue with a total of 106,864,022 voting rights. As at that date no notifications of significant voting rights have been received under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Borrowings and financial risk management

The Company has a three-year multicurrency revolving facility agreement of up to £30 million with Scotiabank (Ireland) (**"Scotiabank"**) expiring in March 2021. The interest rate margin and the commitment fees on the Scotiabank facility have been set at commercial rates. It is anticipated that a replacement facility will be entered into upon the expiry of the current facility.

Details of the financial risk management of the Company are provided in note 21 beginning on page 71. An ongoing overdraft arrangement is available to the Company by the Custodian for settlement of investment trades if necessary.

Remuneration Report

The Directors' Remuneration Report, which can be found on pages 43 and 44, provides detailed information on the remuneration arrangements for Directors of the Company including the Directors' Remuneration Policy. Shareholders are asked to approve the policy at an AGM every three years. There have been no changes to the policy since approval by Shareholders in 2020. Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective.

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

As detailed on page 43 the fees are reviewed each year. Following this review, the Directors have agreed that the level of fees would remain unchanged for the year ended 30 September 2021.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £180,000 per annum. To assist with Board succession planning the Board is seeking approval at the forthcoming AGM to increase the limit to £250,000. This increase would facilitate periods of transition between newly appointed Directors and those approaching retirement and allow for the transfer of knowledge and experience between Directors (**Resolution 15**).

Director re-elections

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

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

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

Resolution 6 relates to re-election of Clare Dobie who has served over 8 years. Clare has expertise in marketing and client relations as well as a wealth of experience as a financial journalist. Clare holds a number of other investment trust directorships. Clare will retire from Board during 2021.

Resolution 7 relates to the re-election of Jane Lewis who has served five years. She has extensive sector experience through her career in investment company corporate broking at Winterflood and business development at leading investment trust houses. She holds a number of investment trust directorships including as Chairman.

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

Director election

As part of an orderly succession plan, Nicky McCabe will be appointed to the Board with effect from 1 January 2021.

Nicky McCabe has extensive sector experience as she was formerly Head of Product and Investment Trusts at Fidelity International as well as a director and Chief Operating Officer of a number of Fidelity companies. Nicky is currently a non-executive director of Aberdeen Asian Income Fund Ltd, Artemis Investment Management Limited, Vitality Life Insurance and the charity, Tomorrow's People.

The Board recommends that Shareholders vote in favour of the election of Nicky McCabe (**Resolution 9**).

Directors' interests and indemnification

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

The Company has granted a deed of indemnity to the Directors in respect of liabilities that may attach to them in their capacity as

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

Statement as to disclosure of information to the auditors

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

Appointment of auditor and auditor's remuneration

The auditor of a company has to be appointed at each Annual General Meeting at which accounts are laid before Shareholders. BDO has expressed its willingness to continue in office as auditor and resolutions proposing its re-appointment and for the Audit and Management Engagement Committee to determine its remuneration for the current financial year will be submitted at the AGM. Shareholders will be asked to approve these resolutions. (**Resolutions 10 and 11**).

Safe custody of assets

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

Depositary

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

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

The Manager's fee

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

Subsequent Events

Subsequent to the year end, investment valuations have continued to increase through underlying investment performance. As at 23 November 2020 (being the latest practicable date before publication of this report), this had resulted in an increase in Net Asset Value of 16.4% to 290.6p and the Company's share price closing 14.5% higher at 285.0p compared to the Balance Sheet date.

These movements relate to post year-end activity and will be reported in the Company's Report and Accounts for the year ended 30 September 2021.

AGM

The Notice of AGM to be held on 16 February 2021 is set out on pages 79 to 81.

Authority to allot shares and sell shares from treasury (resolutions 12 and 13)

Resolutions 12 and 13 are similar in content to the authorities and power previously given to the Directors by Shareholders. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by Shareholders. In addition, directors require specific authority from Shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury without first offering them to existing Shareholders in proportion to their holdings.

Resolution 12 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2022 or, if earlier, 15 months from the passing of the resolution, the necessary authority to allot securities up to an aggregate nominal amount of £2,671,600 (10,686,402 ordinary shares). This is equivalent to approximately 10% of the issued share capital of the Company at 23 November 2020.

Resolution 13 empowers the Directors to allot such securities for cash, other than to existing Shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing Shareholders in proportion to their holdings up to an aggregate nominal amount also of £2,761,600 (representing approximately 10% of the issued ordinary share capital of the Company at 23 November 2020) and amounting to 10,686,402 ordinary shares. These authorities and powers will provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on pages 32 and 33 or should any other favourable opportunities arise to the advantage of Shareholders. The Directors anticipate that they will mainly use them to satisfy demand from participants in the BMO savings plans when they believe it is advantageous to plan participants and the Company's Shareholders to do so. In no circumstances would the Directors use them to issue or sell any shares from treasury unless the existing shares in issue are trading at a premium to NAV. As at 23 November 2020 no shares were held by the Company in treasury.

Authority for the Company to purchase its own shares (resolution 14)

Resolution 14 authorises the Company to purchase up to a maximum of 16,018,916 ordinary shares (equivalent to approximately 14.99% of the issued share capital) at a minimum price of 25 pence per share and a maximum price per share (exclusive of expenses) of 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date of purchase. The Directors intend to use this authority with the objective of enhancing Shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing Net Asset Value per ordinary share which would have the effect of enhancing that value for remaining Shareholders. Any ordinary shares that are purchased would either be placed into treasury or cancelled. The authority will continue until the expiry of 15 months from the date of the passing of the resolution unless it is varied, revoked or renewed prior to that by the Company in a general meeting by special resolution. The Board intends to seek future renewal of the authority.

Form of proxy

Registered Shareholders will find enclosed a form of proxy for use at the AGM. Shareholders also have the option of lodging their proxy votes using the internet. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Votes should be lodged as soon as possible in accordance with the instructions.

Form of direction

If you are an investor in any of the BMO savings plans you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the internet.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 11:30 am on 9 February 2021, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Recommendation

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

By order of the Board
BMO Investment Business Limited
Secretary
25 November 2020

Corporate Governance Statement

Introduction

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

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

The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Corporate Governance Guide for Investment Companies, the Board considers these provisions as not being relevant to the Company, as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive directors, employees or internal operations or the need for a Remuneration Committee. Therefore, with the exception of the need for an internal audit function, which is addressed on page 46, the Company has not reported further in respect of these provisions.

Detailed information on the Directors' Remuneration can be found in the Directors' Remuneration Report on pages 43 and 44 and in note 5 to the accounts.

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

AIFMD

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

Articles of association

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

The Board

The Board's responsibilities are outlined on page 49. More specifically, the Board is responsible for the effective stewardship of the Company's affairs and has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, dividend policy, share issue and buyback policy, risk and control assessment, investment performance monitoring and budget approval. It is also responsible for the review and approval of annual and half-yearly reports and other public documents.

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

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

Meeting attendance – year ended 30 September 2020	Board	Audit and Management Engagement Committee	Nomination Committee
No. of meetings			
Jonathan Cartwright	10	3	1
Sharon Brown	10	3	1
Clare Dobie	10	3	1
Jane Lewis	10	3	1
Tim Scholefield	10	3	1
Steven Bates*	3	1	1

* Retired 31 March 2020

Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such professional advice was taken by Directors during the year under review. The Board has direct access to the company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Secretary in accordance with the terms of the management agreement. The powers of the Board relating to the buying back or issuance of the Company's shares are explained on pages 38 and 39.

Appointments

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

Board effectiveness

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

Independence of Directors

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

Conflicts of interest

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

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. They are reviewed throughout the year at each Board meeting and the authorisation of each individual Director's conflicts or potential conflicts annually. These authorisations were reviewed in November 2020 when it was concluded that in each case these situational conflicts had not affected any individual in his/her role as a Director of the Company. Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

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

By order of the Board
BMO Investment Business Limited
Secretary
25 November 2020

Report of the Nomination Committee

Role of the Committee

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

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

Composition of the Committee

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

Succession planning

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

As part of an orderly succession plan, Clare Dobie will retire from the Board during 2021. Clare Dobie, who is the Company's Senior Independent Director has served on the Board for more than eight years. Following Clare Dobie's retiral it is anticipated that Tim Scholefield will become Senior Independent Director.

As a further part of this plan a search company was commissioned to find a new director for the Board. Following a thorough selection process Nicky McCabe will be appointed to the Board with effect from 1 January 2021. Nicky McCabe has extensive sector experience as she was formerly Head of Product and Investment Trusts at Fidelity International as well as a director and Chief Operating Officer of a number of Fidelity companies. Nicky is currently a non-executive director of Aberdeen Asian Income Fund Ltd, Artemis Investment Management Limited, Vitality Life Insurance and the charity, Tomorrow's People.

Diversity and tenure

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

Committee evaluation

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

Jonathan Cartwright
Nomination Committee Chairman
25 November 2020

Directors' Remuneration Report

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 30 September 2020. This report sets out the Company's forward looking Directors' Remuneration Policy and the Remuneration Report which describes how this policy has been applied during the year. I would welcome any comments you may have.

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. The policy aims to be fair and reasonable in relation to comparable investment trusts and other similar sized financial companies. Time committed to the Company's affairs and the role that individual Directors fulfil in respect of Board and Committee responsibilities are taken into account. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and committee meetings, including those treated as a benefit in kind subject to tax and national insurance. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. This policy was last approved by Shareholders in February 2020 with 93.1% voting in favour and 6.9% against. The policy will next be put to Shareholders for renewal at the AGM to be held in 2023. The Board has not received any views from Shareholders in respect of the levels of Directors' remuneration.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £180,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in his case, from the Senior Independent Director.

To assist with Board succession planning the Board is seeking approval at the forthcoming AGM to increase the limit to £250,000. This increase would facilitate periods of transition between newly appointed Directors and those approaching retirement and allow for the transfer of knowledge and experience between Directors.

The fees are fixed and are payable in cash, half yearly in arrears. With effect from 1 April 2021, fees will be paid quarterly in arrears. The fees are reviewed each year. Following this review the Board agreed that the level of fees would remain unchanged for the year ended 30 September 2021.

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

The dates on which each Director was appointed to the Board and was last re-elected by Shareholders are set out on page 34. Each Director's appointment is subject to election at the first Annual General Meeting and continues thereafter subject to re-election at each subsequent Annual General Meeting. The appointment can be terminated on one month's notice. All the Directors will stand for re-election at the AGM on 16 February 2021. Nicky McCabe, who will join the Board with effect from 1 January 2021, will also stand for election at this AGM. Clare Dobie will retire from the Board during 2021.

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

Annual fees for Board Responsibilities

	2021 £'000s	2020 £'000s
Chairman	37.0	37.0
Director	24.5	24.5
Senior Independent Director(1)	26.0	26.0
Audit Committee Chairman(2)	30.0	30.0

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

Directors' shareholdings

Directors' share interests (audited)

At 30 September	2020	2019
Jonathan Cartwright*	nil	n/a
Steven Bates**	n/a	nil
Sharon Brown	1,500	1,500
Clare Dobie	2,570	2,570
Jane Lewis	3,095	3,095
Tim Scholefield	8,500	8,500

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

*Appointed 26 November 2019.

** Retired 31 March 2020

There have been no changes in any of the Directors' shareholdings detailed above between 30 September 2020 and the date of this report. No Director held any interests in the issued shares of the Company other than as stated above. There is no requirement for the Directors to hold shares in the Company.

Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to Shareholders at the forthcoming AGM. At the last meeting, Shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2019. 94.2% of votes were cast in favour of the resolution and 5.8% against.

Directors' remuneration report

The Directors who served during the year received the following amounts for services as non-executive Directors for the years ended 30 September 2020 and 2019 and can expect to receive the fees indicated for 2021 as well as reimbursement for expenses necessarily incurred.

Fees for services to the Company (audited)

	Fees £'000s (audited)			Taxable Benefits[1] £'000s (audited)			Total £'000s (audited)			Anticipated Fees[2] £'000s
Director	**2020**	**2019**	**% change**	**2020**	**2019**	**% change**	**2020**	**2019**	**% change**	**2021**
Steven Bates[3]	18.5	36.0	(48.6)	–	–	–	18.5	36.0	(48.6)	N/A
Sharon Brown	30.0	29.0	3.4	3.7	4.6	(19.6)	33.7	33.6	0.3	30.0
Jonathan Cartwright[4]	27.0	N/A	N/A	–	N/A	N/A	27.0	N/A	N/A	37.0
Clare Dobie[5]	26.0	25.5	2.0	0.6	0.4	50.0	26.6	25.9	2.7	20.6
Jane Lewis	24.5	24.0	2.1	–	0.7	(100.0)	24.5	24.7	(0.8)	24.5
Tim Scholefield[6]	24.5	24.0	2.1	–	–	–	24.5	24.0	2.1	24.8
Nicky McCabe[7]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.3
Total	150.5	138.5	8.7	4.3	5.7	(24.6)	154.8	144.2	7.4	155.2

(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the course of the year ending 30 September 2021. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Retired on 31 March 2020.
(4) Appointed as a non-executive Director on 26 November 2019, became Chairman with effect from 1 April 2020.
(5) Clare Dobie will retire from the Board during 2021.
(6) Tim Scholefield will be appointed Senior Independent Director upon the retiral of Clare Dobie.
(7) Appointed as a Director with effect from 1 January 2021.

The information in the above table for the years 2019 and 2020 has been audited.

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

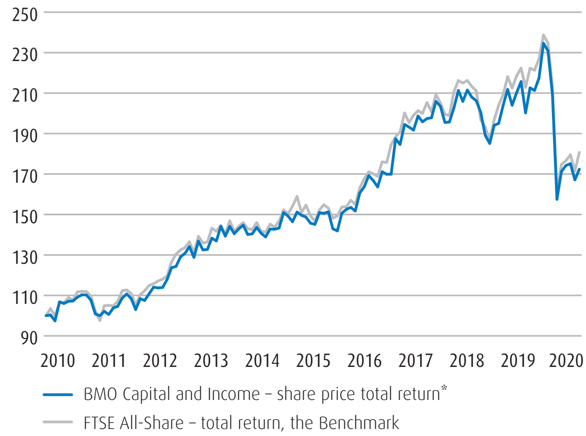
Relative importance of pay

Actual Expenditure Year ended 30 September	2020 £'000s	2019 £'000s	% Change
Aggregate Directors' fees	150.5	138.5	+8.7
Management and other expenses[1]	1,803.0	1,884.0	-4.3
Dividends paid to Shareholders[2]	12,024.0	11,505.0	+4.5

(1) Includes Directors' remuneration.

(2) The aggregate dividend figure is higher than the percentage increase in the dividend rate over 2019 as share issues increase the number of shares in issue that are entitled to payment. See note 9 to the accounts for further details.

Shareholder total return vs Benchmark total return over ten years (rebased to 100 at 30 September 2010) (%)



Source: BMOGAM & Refinitiv Eikon
*See Alternative Performance Measures on pages 84 and 85.

Company performance

The Board is responsible for the Company's investment strategy and performance. The management of the investment portfolio is delegated to the Manager. An explanation of the performance of the Company for the year ended 30 September 2020 is given in the Chairman's Statement and Fund Manager's Review.

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

On behalf of the Board
Jonathan Cartwright
Chairman
25 November 2020

Report of the Audit and Management Engagement Committee

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

Role of the Committee

The Committee met on three occasions during the year, and the attendance of each of the members is set out on page 41. The Trust Accountant, the Fund Manager and Risk Managers of the Manager were invited to attend certain meetings to report on relevant matters. The external auditor, BDO, attended two of the committee meetings and also met in private session with the Committee Chairman.

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

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

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

Throughout the preparation processes for both the interim report for the six month period ended 31 March 2020 and the annual report for the year ended 30 September 2020 the Committee has considered the impact of the COVID-19 pandemic upon the risks, operations and accounting basis of the Company.

As noted within Principal Risks and Future Prospects on page 28 the Directors have reviewed the risk register of the Company and agreed that the overall risk from some of its principal risks has risen as a consequence of the pandemic.

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

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

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 49. On broader control policy issues, the Committee has reviewed, and is satisfied with, the Manager's Code of Conduct and to the Anti-Bribery and Anti-Corruption Operating Directive (the **"Directive"**) to which the Manager and its employees are subject. The Committee has also reviewed the Manager's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication

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to this Committee where matters might impact the Company with appropriate follow up action. In the year under review, there were no such concerns raised with the Committee.

Composition of the Committee

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

Management of risk

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

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

The Company's Principal Risks and their mitigations are set out on page 28 with additional information given in note 21 to the accounts. The integration of these risks into the analyses underpinning the "Five-Year Horizon" Statement on page 29 was fully considered and the Committee concluded that the Board's statement was soundly based.

Internal controls

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

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company's internal control systems. The assessment included a review of the Manager's risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2019 (the **"ISAE/AAF Report"**) and subsequent confirmation from the Manager that there had been no material changes to the control environment since this date. This had been prepared by the Manager for all its investment trust clients to the International Standard on Assurance Engagement (**"ISAE"**) No.3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06).

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

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

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

Significant Judgements and issues considered by the Committee in 2020	
Matter	**Action**
Investment Portfolio Valuation	
The Company's portfolio is invested in listed securities. Although the vast majority of the securities are highly liquid and listed on recognised stock exchanges, errors in the valuation could have a material impact on the Company's Net Asset Value per share.	The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Committee reviewed the Manager's ISAE/AAF Report for the year ended 31 October 2019, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities. The Manager has provided further assurance that controls have operated satisfactorily since that date. The valuation and existence of investments were tested and reported on by the auditors as set out on page 53.
Misappropriation of Assets	
Misappropriation or non-existence of the Company's investments or cash balances could have a material impact on its Net Asset Value per share.	The Committee reviewed the Manager's ISAE/AAF Report for the year ended 31 October 2019, which details the controls around the reconciliation of the Manager's records to those of the Custodian. The Committee also reviewed the Custodian's annual internal control report to 31 March 2020, which is reported on by independent external accountants and which provides details regarding its control environment. Regular updates from the Manager, Depositary and Custodian, in respect of controls operating in subsequent periods up to 30 September 2020, were also reviewed and agreed as being satisfactory.
Income Recognition	
Incomplete or inaccurate income recognition could have an adverse effect on the Company's Net Asset Value and earnings per share and its level of dividend cover.	The Committee reviewed the Manager's ISAE/AAF Report and subsequent confirmation referred to above. It also assessed the final level of income received for the year against the budget which was set at the start of the year and discussed the accounting treatment of special dividends with the Manager. Investment income was also tested and reported on by the auditors as set out on page 53.

External audit process and significant issues considered by the committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the 2020 external audit. The table above describes the significant judgements and issues considered by the Committee in conjunction with BDO in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements and estimates referred to in note 2(c)(xiv) to the accounts.

The Committee met in November 2020 to discuss the draft Report and Accounts, with representatives of BDO and the Manager in attendance. BDO submitted their Year-End report to the Committee and confirmed that they had no reason not to issue an unqualified audit opinion in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board and confirmed that the Report and Accounts were in their view fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice. The Independent Auditors' Report, which sets out their unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 52 to 56.

Auditor assessment and independence

The Committee has been satisfied with the effectiveness of BDO's performance on their first audit of the Company's accounts. BDO has confirmed its independence of the Company and has complied with relevant auditing standards. In evaluating BDO, the Committee took into consideration the standing, skills and experience of the firm and the audit team and also took note of BDO's audit performance through the FRC's Audit Quality Review. The fee for the audit was £26,000 (2019: £30,586) as shown in note 5 to the accounts.

Non-audit services

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

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

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

There were no non-audit services for the year ended 30 September 2020.

Manager evaluation process

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

Manager reappointment

The annual evaluation that took place in November 2020 included a presentation from the Manager's Head of Investment Trusts. The NAV and share price total returns had outperformed the Benchmark over the longer term and dividend growth had continued to outpace inflation. The Manager continued to commit the necessary resources in all areas of their responsibilities, including ESG, marketing and administrative services towards the achievement of the Company's objective. The Committee met in closed session following the presentation and concluded that in its opinion, in the light of strong long-term investment performance and the quality of the overall service provided, the continuing appointment of the Manager on the terms agreed was in the interests of Shareholders as a whole. The Board ratified this recommendation.

Sharon Brown
Chairman of the Audit and
Management Engagement Committee
25 November 2020

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

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

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

Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors listed on page 34 confirm to the best of their knowledge that:

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

On behalf of the Board
Jonathan Cartwright
Chairman
25 November 2020

Management and Advisers

The Manager

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

The Manager also acts as the Alternative Investment Fund Manager.

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

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

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

Secretary and Company's Registered Office

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Facsimile: 020 7628 8188
Website: bmocapitalandincome.com
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The Custodian

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The Depositary

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London E14 5JP

The Registrars

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The Broker

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of BMO Capital and Income Investment Trust PLC (the **"company"**) for the year ended 30 September 2020 which comprise the income statement, the statement of changes in equity, the balance sheet and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

■ Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Valuation and ownership of investments (Note 10 to the financial statements)	
We considered the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. We also considered the valuation of investments with respect to realised and unrealised gains/ (losses) to be a significant area as the reported performance of the portfolio is a key area of interest for the users of the financial statements. Furthermore, we considered the disclosures related to investments to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: In respect of quoted investment valuations (100% of the total portfolio by value) we have: • Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date. The gains/(losses) on investments held at fair value comprise realised and unrealised gains/(losses). • For unrealised gains/(losses) we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. • For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and custodian's transaction report and performed the re-calculation of a sample of realised gains/losses. We also considered the completeness, accuracy and clarity of investment related disclosures against the requirements of the relevant accounting standards. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments or the disclosures thereof.
Revenue Recognition: (Page 47 and 62 and Note 3 on page 65)	
Dividend income arises from the investment portfolio and is a key factor in demonstrating the performance of the portfolio. Revenue recognition is considered a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining the allocation of income to revenue or capital.	We performed the following procedures: • For all listed investments, we derived an independent expectation of total expected income based on the investment holding and records of distributions from independent sources. • We cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. • We analysed the population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represented a particularly high yield and investigated the rationale of those distributions. • We traced a sample of dividend income received through from the nominal ledger to bank **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to the revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£) – 2020
Financial statement materiality *(1% of net assets)*	Assessing whether the financial statements as a whole present a true and fair view.	• The significance of gross investments to the financial statements as a whole • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£2,600,000
Performance materiality *(70% of materiality)*	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£1,800,000
Specific materiality – classes of transactions and balances which impact on net realised returns. (10% of net revenue returns attributable to equity shareholders before finance costs and tax)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	Level of net revenue • returns to shareholder	£890,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £45,000 (2019 - £169,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement.

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

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in October 2019 with consequential amendments and FRS 102.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

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

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the shareholders at the annual general meeting on 11 February 2020 to audit the financial statements for the year ending 30 September 2020. The period of total uninterrupted engagement is one year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
25 November 2020

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

Income Statement

Revenue notes	Capital notes	for the year ended 30 September	2020 Revenue £'000s	2020 Capital £'000s	2020 Total £'000s	2019 Revenue £'000s	2019 Capital £'000s	2019 Total £'000s
	10	(Losses)/gains on investments	–	(79,247)	(79,247)	–	3,878	3,878
	17	Foreign exchange gains/(losses)	2	(25)	(23)	1	5	6
3	17	Income	10,097	938	11,035	14,810	459	15,269
4	4	Management fee	(609)	(609)	(1,218)	(667)	(667)	(1,334)
5	5	Other expenses	(583)	(2)	(585)	(547)	(3)	(550)
		Net return before finance costs and taxation	8,907	(78,945)	(70,038)	13,597	3,672	17,269
6	6	Finance costs	(141)	(141)	(282)	(164)	(164)	(328)
		Net return before taxation	8,766	(79,086)	(70,320)	13,433	3,508	16,941
7		Taxation	(8)	–	(8)	(7)	–	(7)
17	17	**Net return attributable to Shareholders**	8,758	(79,086)	(70,328)	13,426	3,508	16,934
8	8	**Return per share – basic and diluted**	8.34p	(75.33p)	(66.99p)	13.12p	3.43p	16.55p

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

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

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

The notes on pages 61 to 76 form an integral part of the financial statements.

Statement of Changes in Equity

Notes	for the year ended 30 September 2020	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	Balance at 30 September 2019	25,696	130,197	4,146	4,434	158,561	15,115	338,149
	Movements during the year ended 30 September 2020							
9	Dividends paid	–	–	–	–	–	(12,024)	(12,024)
15,16	Ordinary shares issued	981	9,617	–	–	–	–	10,598
	Net return attributable to Shareholders	–	–	–	–	(79,086)	8,758	(70,328)
	Balance at 30 September 2020	26,677	139,814	4,146	4,434	79,475	11,849	266,395

Notes	for the year ended 30 September 2019	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Special reserve £'000s	Capital reserve £'000s	Revenue reserve £'000s	Total Shareholders' funds £'000s
	Balance at 30 September 2018	25,265	125,380	4,146	4,434	155,053	13,194	327,472
	Movements during the year ended 30 September 2019							
9	Dividends paid	–	–	–	–	–	(11,505)	(11,505)
15,16	Ordinary shares issued	431	4,817	–	–	–	–	5,248
	Net return attributable to Shareholders	–	–	–	–	3,508	13,426	16,934
	Balance at 30 September 2019	25,696	130,197	4,146	4,434	158,561	15,115	338,149

The notes on pages 61 to 76 form an integral part of the financial statements.

Balance Sheet

at 30 September

Notes		2020 £'000s	2019 £'000s
	Fixed assets		
10	Investments	**284,843**	343,066
	Current assets		
11	Debtors	**731**	1,275
	Cash and cash equivalents	**1,183**	4,229
	Total current assets	**1,914**	5,504
	Current liabilities		
12	Creditors: amounts falling due within one year	**(362)**	(421)
13,14	Loans	**(20,000)**	(10,000)
	Total current liabilities	**(20,362)**	(10,421)
	Net current liabilities	**(18,448)**	(4,917)
	Net assets	**266,395**	338,149
	Capital and reserves		
15	Share capital	**26,677**	25,696
16	Share premium account	**139,814**	130,197
16	Capital redemption reserve	**4,146**	4,146
16	Special reserve	**4,434**	4,434
17	Capital reserve	**79,475**	158,561
17	Revenue reserve	**11,849**	15,115
	Total Shareholders' funds	**266,395**	338,149
18	**Net Asset Value per ordinary share – pence**	**249.65**	328.99

The notes on pages 61 to 76 form an integral part of the financial statements.

The Financial Statements were approved by the Board on 25 November 2020 and signed on its behalf by

Jonathan Cartwright, Chairman

Statement of Cash Flows

Notes	for the year ended 30 September	2020 £'000s	2019 £'000s
19	**Cash flows from operating activities before dividends received and interest**	**(1,111)**	(1,569)
	Dividends received	**10,649**	15,125
	Interest received	**11**	38
	Interest paid	**(282)**	(332)
	Cash flows from operating activities	**9,267**	13,262
	Investing activities		
	Purchase of investments	**(48,257)**	(34,874)
	Sale of investments	**27,395**	36,849
	Other capital charges	**(2)**	(3)
	Cash flows from investing activities	**(20,864)**	1,972
	Cash flows before financing activities	**(11,597)**	15,234
	Financing activities		
9	Equity dividends paid	**(12,024)**	(11,505)
15,16	Net proceeds from issuance of new shares	**10,598**	5,248
13,14	Drawdown/(repayment) of loan	**10,000**	(10,000)
	Cash flows from financing activities	**8,574**	(16,257)
	Net movement in cash and cash equivalents	**(3,023)**	(1,023)
	Cash and cash equivalents at the beginning of the year	**4,229**	5,246
	Effect of movement in foreign exchange	**(23)**	6
	Cash and cash equivalents at the end of the year	**1,183**	4,229
	Represented by:		
	Cash at bank	**43**	399
	Short term deposits	**1,140**	3,830
		1,183	4,229

The notes on pages 61 to 76 form an integral part of the financial statements.

Notes to the Accounts

1. General information

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

The Company has conducted its affairs so as to qualify as an investment trust under the provisions of Section 1158 of the Corporation Tax Act 2010. Approval of the Company under Section 1158 has been received. The Company intends to conduct its affairs so as to enable it to continue to comply with the requirements. Such approval exempts the Company from UK Corporation Tax on gains realised in the relevant year on its portfolio of fixed asset investments.

The accounting policies have been applied consistently throughout the year ended 30 September 2020 with no significant changes, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

As referred to in the Directors' Report on page 36 and note 20 to the accounts, the Directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) Basis of accounting

The accounts of the Company have been prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments, and in accordance with the Companies Act 2006, Financial Reporting Standards (FRS) 102 applicable in the United Kingdom and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") issued in October 2019. There has been no impact on the basis of accounting as a result of this update.

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

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

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

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year ended 30 September 2020 and the prior year.

(i) Financial instruments

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

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

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

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

(ii) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at "fair value through profit or loss" and treats all transactions on the realisation and revaluation of investments as transactions on the Capital Account. Purchases and sales are recognised on a trade date basis.

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

(iii) Debt Instruments

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

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

(iv) Foreign currency

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

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

(v) Income

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

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

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

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

(vi) Expenses, including finance charges

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

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

(vii) Taxation

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

(viii) Dividends payable

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

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

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

The following is accounted for in this reserve:

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

(x) Capital Redemption Reserve

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

(xi) Special reserve (distributable reserve)

The following are accounted for in this reserve:

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

(xii) Capital reserves (distributable reserves)

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

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

Capital reserve – arising on investments held

The following are accounted for in this reserve:

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

(xiii) Revenue reserve

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

(xiv) Use of judgements and estimates

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

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

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits may nevertheless still be considered to be wholly revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature is disclosed in note 17 to the accounts. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies without prior reference to the Company.

3. Income

	2020 £'000s	2019 £'000s
Income from investments		
UK dividend income	8,798	13,426
UK dividend income – special dividends (1)	54	561
Overseas dividend income	239	96
Property income distributions	577	689
SCRIP Dividend Income	418	–
	10,086	14,772
Other income		
Interest on cash and cash equivalents	11	36
Income Tax recovered previously expensed	–	2
	11	38
Total income	10,097	14,810

(1) Special dividends classified as revenue in nature in accordance with note 2(c)(xiv).

Dividends recognised as capital in nature, per note 2(c)(xiv), during the year totalled £938,000 (2019: £459,000).

4. Management fee

			2020			2019
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Management fee	609	609	1,218	667	667	1,334

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

5. Other expenses

			2020			2019
	Revenue £'000s	Capital £'000s	Total £'000s	Revenue £'000s	Capital £'000s	Total £'000s
Auditors' remuneration:						
– for audit services(1)	31	–	31	37	–	37
Directors' fees for services to the Company(2)	151	–	151	139	–	139
Directors' and Officers' liability insurance	6	–	6	6	–	6
Loan commitment fee	13	–	13	8	–	8
Marketing	109	–	109	126	–	126
Professional fees	61	–	61	61	–	61
Printing and postage	64	–	64	59	–	59
Registrars' fees	27	–	27	31	–	31
Subscriptions and listing fees	49	–	49	47	–	47
Sundry expenses	72	2	74	33	3	36
Total other expenses	583	2	585	547	3	550

All expenses are stated gross of irrecoverable VAT, where applicable.
(1) Total Auditors' remuneration for audit services, exclusive of VAT amounts is £26,000 (2019: £30,586).
(2) See the Directors' Remuneration Report on page 43.

6. Finance costs

	2020			2019		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Loan interest	**138**	**138**	**276**	164	164	328
Overdraft interest	**3**	**3**	**6**	–	–	–
Total finance cost	**141**	**141**	**282**	164	164	328

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

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	2020			2019		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Overseas taxation	**8**	**–**	**8**	7	–	7
Total taxation charge (see note 7(b))	**8**	**–**	**8**	7	–	7

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

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

	2020			2019		
	Revenue £'000s	**Capital £'000s**	**Total £'000s**	Revenue £'000s	Capital £'000s	Total £'000s
Net return on ordinary activities before taxation	**8,767**	**(79,086)**	**(70,320)**	13,433	3,508	16,941
Return on ordinary activities multiplied by the effective rate of corporation tax of 19% (2019: same)	**1,666**	**(15,026)**	**(13,361)**	2,552	667	3,219
Effects of:						
Dividends*	**(1,917)**	**(178)**	**(1,917)**	(2,807)	(87)	(2,894)
Excess expenses not utilised in the year	**251**	**143**	**394**	255	158	413
Overseas taxation not relieved	**8**	**–**	**8**	7	–	7
Capital returns*	**–**	**15,061**	**14,884**	–	(738)	(738)
Total taxation (see note 7(a))	**8**	**–**	**8**	7	–	7

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

The potential deferred tax asset of £4.6 million in respect of unutilised expenses and unrelieved overseas taxation at 30 September 2020 (2019: £3.9 million) has not been recognised as it is unlikely that these expenses will be utilised.

8. Return per share

	2020			2019		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Net return attributable to equity Shareholders – £'000s	**8,758**	**(79,086)**	**(70,328)**	13,426	3,508	16,934
Return per share – pence	**8.34**	**(75.33)**	**(66.99)**	13.12	3.43	16.55

Both the revenue and capital returns per share are based on a weighted average of 104,977,759 ordinary shares in issue during the year (2019: 102,301,049).

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2020 £'000s	2019 £'000s
Fourth of four interims for the year ended 30 September 2018 of 3.60p per share	14-Dec-18	28-Dec-18	–	3,659
First of four interims for the year ended 30 September 2019 of 2.55p per share	08-Mar-19	29-Mar-19	–	2,613
Second of four interims for the year ended 30 September 2019 of 2.55p per share	07-Jun-19	28-Jun-19	–	2,613
Third of four interims for the year ended 30 September 2019 of 2.55p per share	30-Aug-19	30-Sep-19	–	2,620
Fourth of four interims for the year ended 30 September 2019 of 3.75p per share	13-Dec-19	30-Dec-19	3,854	–
First of four interims for the year ended 30 September 2020 of 2.65p per share	06-Mar-20	31-Mar-20	2,746	–
Second of four interims for the year ended 30 September 2020 of 2.55p per share	12-Jun-20	30-Jun-20	2,703	–
Third of four interims for the year ended 30 September 2020 of 2.55p per share	04-Sep-20	30-Sep-20	2,721	–
			12,024	11,505

The Directors have declared a fourth interim dividend in respect of the year ended 30 September 2020 of 3.75 pence per share, payable on 17 December 2020 to all Shareholders on the register at close of business on 4 December 2020. The fourth interim dividend has not been included as a liability in these financial statements. The dividends paid and payable in respect of the financial year ended 30 September 2020, which form the basis of the retention test for section 1159 of the Corporation Tax Act 2010, are set out below:

	2020 £'000s
Net revenue return attributable to Shareholders	8,758
First of four interims for the year ended 30 September 2020 of 2.65p per share	(2,746)
Second of four interims for the year ended 30 September 2020 of 2.55p per share	(2,703)
Third of four interims for the year ended 30 September 2020 of 2.55p per share	(2,721)
Fourth of four interims for the year ended 30 September 2020 of 3.75p per share [(1)]	(4,007)
Transferred from revenue reserve	(3,419)

(1) Based on shares in issue and their entitlement to the dividend at 23 November 2020.

10. Investments

	Level 1[1] £'000s	Level 3[1] [2] £'000s	2020 Total £'000s	Level 1[1] £'000s	Level 3[1] £'000s	2019 Total £'000s
Cost brought forward	**234,958**	**1,795**	**236,753**	226,510	1,795	228,305
Gains/(losses) brought forward	**108,108**	**(1,795)**	**106,313**	114,524	(1,795)	112,729
Fair value of investments brought forward	**343,066**	**–**	**343,066**	341,034	–	341,034
Purchases at cost	**48,257**	**–**	**48,257**	34,874	–	34,874
Sales proceeds	**(27,398)**	**–**	**(27,398)**	(36,896)	–	(36,896)
(Losses)/gains on investments sold in year	**(9,687)**	**(1,795)**	**(11,482)**	10,294	–	10,294
(Losses)/gains on investments held at year end	**(69,395)**	**1,795**	**(67,600)**	(6,240)	–	(6,240)
Fair value of investments at 30 September	**284,843**	**–**	**284,843**	343,066	–	343,066
Cost at 30 September	**246,295**	**–**	**246,295**	234,958	1,795	236,753
Gains/(losses) at 30 September	**38,548**	**–**	**38,548**	108,108	(1,795)	106,313
Fair value of investments at 30 September	**284,843**	**–**	**284,843**	343,066	–	343,066

	2020 £'000s	2019 £'000s
(Losses)/gains on investments sold in year	**(11,482)**	10,294
Losses on investments held at year end	**(67,600)**	(6,240)
Transaction costs	**(165)**	(176)
Total (losses)/gains in year	**(79,247)**	3,878

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

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

Investments sold during the year have been revalued over time since their original purchase, and until they were sold any unrealised gains or losses was included in the fair value of the investments.

The investment portfolio is set out on page 21.

11. Debtors

	2020 £'000s	2019 £'000s
Accrued income	**593**	1,164
Investments sold awaiting settlement	**50**	47
Prepayments	**23**	16
Income tax recoverable	**8**	6
Overseas taxation recoverable	**57**	42
	731	1,275

12. Creditors: amounts falling due within one year

	2020 £'000s	2019 £'000s
Management fee	**287**	341
Accruals	**75**	80
	362	421

13. Loans

	2020 £'000s	2019 £'000s
Sterling loans: falling due within one year	**20,000**	10,000

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

As at 30 September 2020 the Company had drawn down £20 million of the loan facility.

14. Analysis of changes in net debt

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

15. Share capital

	2020 Issued and fully paid		2019 Issued and fully paid	
	Number	£'000s	Number	£'000s
Ordinary shares of 25 pence each				
Balance brought forward	**102,784,268**	**25,696**	101,059,268	25,265
Ordinary shares issued	**3,925,000**	**981**	1,725,000	431
Balance at 30 September	**106,709,268**	**26,677**	102,784,268	25,696

During the year to 30 September 2020, 3,925,000 (2019: 1,725,000) ordinary shares of 25p each in nominal value were issued with a total consideration of £10,629,000 (2019: £5,319,000).

Since 30 September 2020 a further 154,754 ordinary shares have been issued.

16. Reserves

	Share Premium account £'000s	Capital Redemption Reserve £'000s	Special Reserve £'000s
Balance brought forward as at 1 October 2019	**130,197**	**4,146**	**4,434**
Premium on issue of shares	**9,648**	**–**	**–**
Costs associated with share issues	**(31)**	**–**	**–**
Balance carried forward as at 30 September 2020	**139,814**	**4,146**	**4,434**
Balance brought forward as at 1 October 2018	125,380	4,146	4,434
Premium on issue of shares	4,888	–	–
Costs associated with share issues	(71)	–	–
Balance carried forward as at 30 September 2019	130,197	4,146	4,434

17. Other reserves

	Capital reserve – realised £'000s	Capital reserve – unrealised £'000s	Capital reserve – total £'000s	Revenue reserve £'000s
Movements during the year ended 30 September 2020				
Losses on investments sold in year (see note 10)	**(11,482)**	**–**	**(11,482)**	**–**
Losses on investments held at year end (see note 10)	**–**	**(67,600)**	**(67,600)**	**–**
Transaction costs	**–**	**(165)**	**(165)**	**–**
Foreign exchange losses	**(25)**	**–**	**(25)**	**–**
Capital special dividends	**938**	**–**	**938**	**–**
Management fee (see note 4)	**(609)**	**–**	**(609)**	**–**
Finance costs (see note 6)	**(141)**	**–**	**(141)**	**–**
Other capital charges	**(2)**	**–**	**(2)**	**–**
Revenue return	**–**	**–**	**–**	**8,758**
Return attributable to Shareholders	**(11,321)**	**(67,765)**	**(79,086)**	**8,758**
Dividends paid in year (see note 9)	**–**	**–**	**–**	**(12,024)**
Balance at 30 September 2019	**52,248**	**106,313**	**158,561**	**15,115**
Balance at 30 September 2020	**40,927**	**38,548**	**79,475**	**11,849**

Included within the capital reserve movement for the year are £152,000 of transaction costs including stamp duty on purchases of investments (2019: £159,000) and £13,000 of transaction costs on sales of investments (2019: £17,000).

Included within the Capital reserve movement for the year is £938,000 (2019: £459,000) of dividend receipts recognised as capital in nature.

18. Net Asset Value per ordinary share

	2020	2019
Net Asset Value per share – pence	**249.65**	328.99
Net assets attributable at the year end – (£'000s)	**266,395**	338,149
Number of ordinary shares in issue at the year end	**106,709,268**	102,784,268

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

	2020 £'000s	2019 £'000s
Net return on ordinary activities before taxation	**(70,320)**	16,941
Adjustments for non-cash flow items, dividend income and interest expense:		
Losses/(gains) on investments	**79,082**	(4,054)
Foreign exchange movements	**23**	(6)
Non-operating expenses of a capital nature	**2**	3
Dividend income receivable	**(10,086)**	(14,772)
Interest receivable	**(11)**	(38)
Interest payable	**282**	328
Increase in other debtors	**(24)**	(6)
(Decrease)/Increase in other creditors	**(59)**	35
	69,209	(18,510)
Cash outflows from operating activities before dividends received and interest paid	**(1,111)**	(1,569)

20. Going concern

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

At present the global economy is suffering considerable disruption due to the effects of the COVID-19 pandemic and the Directors have given serious consideration to the consequences for this Company. The Company has a number of banking covenants and at present the Company's financial position does not suggest that any of these are close to being breached. The primary risk is that there is a very substantial decrease in the Net Asset Value of the Company in the short to medium term. The Directors have considered the remedial measures that are open to the Company if such a covenant breach appears possible. As at 23 November 2020, the last practicable date before publication of this report, borrowings amounted to £20 million. The Company had an undrawn loan facility of £10 million and a cash balance of £0.4 million. This is in comparison to a Net Asset Value of £310.6 million. In accordance with its investment policy the Company is invested mainly in readily realisable, FTSE All-Share listed securities. These can be realised, if necessary, to repay the loan facility and fund future dividend payments.

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

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

21. Financial Risk Management

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

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

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

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

(a) Market risks

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

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

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

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

Currency Exposure

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

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

	2020 At 30 September	**2020** Average for the year	2019 At 30 September	2019 Average for the year
Euro	**1.102**	**1.139**	1.130	1.132

21. Financial Risk Management (continued)

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

Weakening of sterling by 10% against the euro	2020 £'000s	2019 £'000s
Net revenue return attributable to Shareholders	26	1
Net capital return attributable to Shareholders	501	404
Net total return attributable to Shareholders	527	405
NAV per share – pence	0.49	0.39

Strengthening of sterling by 10% against the euro	2020 £'000s	2019 £'000s
Net revenue return attributable to Shareholders	(21)	(1)
Net capital return attributable to Shareholders	(410)	(331)
Net total return attributable to Shareholders	(431)	(332)
NAV per share – pence	(0.40)	(0.32)

These effects are representative of the Company's activities although the level of the Company's exposure to currencies other than sterling fluctuates in accordance with the investment and risk management processes.

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

2020	Short-term debtors £'000s	Cash and cash equivalents £'000s	Short-term creditors – other £'000s	Short-term creditors – loans £'000s	Net monetary (liabilities)/assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	674	1,183	(362)	(20,000)	(18,505)	280,390	261,885
Other	57	–	–	–	57	4,453	4,510
Total	731	1,183	(362)	(20,000)	(18,448)	284,843	266,395

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

Interest rate exposure

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

	Within one year £'000s	More than one year £'000s	2020 Total £'000s	Within one year £'000s	More than one year £'000s	2019 Total £'000s
Exposure to floating rates:						
Cash and cash equivalents	1,183	–	1,183	4,229	–	4,229
Loans	(20,000)	–	(20,000)	(10,000)	–	(10,000)
Net exposure	(18,817)	–	(18,817)	(5,771)	–	(5,771)
Minimum net exposure during the year			(4,026)			(4,555)
Maximum net exposure during the year			(21,921)			(20,092)

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

21. Financial Risk Management (continued)

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

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

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

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

	2020 Increase in rate £'000s	**2020** Decrease in rate £'000s	2019 Increase in rate £'000s	2019 Decrease in rate £'000s
Revenue return	**(176)**	**176**	(15)	15
Capital return	**(200)**	**200**	(100)	100
Total return	**(376)**	**376**	(115)	115
NAV per share – pence	**(0.35)**	**0.35**	(0.11)	0.11

Other market risk exposures

The portfolio of investments, valued at £284,843,000 at 30 September 2020 (2019: £343,066,000) is exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by country and major industrial sector is set out in the investment portfolio by sector and List of Investments on pages 18 to 21.

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

	2020 Increase in value £'000s	**2020** Decrease in value £'000s	2019 Increase in value £'000s	2019 Decrease in value £'000s
Capital return	**56,969**	**(56,969)**	68,613	(68,613)
NAV per share – pence	**53.39**	**(53.39)**	66.75	(66.75)

(b) Liquidity risk

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the number of quoted investments held in the Company's portfolio (100% at 30 September 2020 and 100% at 30 September 2019); the liquid nature of the portfolio of investments; the industrial and geographical diversity of the portfolio (see pages 18 to 21); and the existence of an ongoing loan and overdraft facility agreement. Cash balances are held with approved banks, usually on overnight deposit. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

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

As at 30 September 2020 the Company had drawn down £20 million of the loan facility and bank overdrafts of £nil.

21. Financial Risk Management (continued)

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

2020	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities – others	362	–	–	362
Loans	20,000	–	–	20,000
	20,362	–	–	20,362

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

(c) Credit risk and counterparty exposure

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

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

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

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

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

(d) Fair values of financial assets and liabilities

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

(e) Capital risk management

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

Changes to ordinary share capital are set out in note 15, dividend payments in note 9 and details of loans in note 13.

22. Transactions with related parties and Manager

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

There are no transactions with the Board other than: aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on page 44 and as set out in note 5; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 43. There are no outstanding balances with the Board at the year end. Transactions between the Company and the Manager are detailed in note 4 on management fees and the outstanding balance is detailed in note 12.

23. AIFMD

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

The Company's maximum and average actual leverage levels at 30 September 2020 are shown below:

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

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

24. Securities financing transactions ("SFR")

The Company has not, in the year to 30 September 2020 (2019: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

25. Subsequent Events

Subsequent to the year end, investment valuations have continued to increase through underlying investment performance. As at 23 November 2020 (being the latest practicable date before publication of this report), this had resulted in an increase in Net Asset Value of 16.4% to 290.6p and the Company's share price closing 14.5% higher at 285.0p compared to the Balance Sheet date.

These movements relate to post year-end activity and will be reported in the Company's Report and Accounts for the year ended 30 September 2021.

Ten Year Record (unaudited)

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

Assets
at 30 September

£'000s	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets (before debt)	191,427	182,290	203,079	244,708	251,387	256,876	297,027	332,463	347,472	348,149	**286,395**
Loans	14,000	15,000	7,967	20,000	20,000	20,000	25,000	20,000	20,000	10,000	**20,000**
Net assets	177,427	167,290	195,112	224,708	231,387	236,876	272,027	312,463	327,472	338,149	**266,395**

Net Asset Value (NAV)
at 30 September

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share – pence	207.9	195.0	222.0	251.4	251.8	250.5	281.1	317.1	324.0	329.0	**249.7**

Total Returns(1)
(rebased to 100 at 30 September 2010)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share	100.0	97.6	115.8	136.4	141.7	146.6	171.1	200.0	211.1	222.3	**175.6**
Middle market price per share	100.0	100.0	114.1	132.7	140.7	145.1	169.2	195.8	206.2	212.6	**169.4**
FTSE All-Share Index	100.0	95.6	112.1	133.4	141.5	138.2	161.5	180.8	191.4	196.5	**163.9**

Returns excluding dividends(1)
(rebased to 100 at 30 September 2010)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV per share	100.0	93.8	106.8	120.9	121.1	120.5	135.2	152.5	155.8	158.2	**120.1**
Middle market price per share	100.0	96.1	105.3	117.9	120.4	119.5	134.0	149.8	152.6	151.7	**116.2**
FTSE All-Share Index	100.0	92.6	104.6	120.1	123.2	116.3	131.0	141.2	144.0	141.6	**114.5**

(1) See Alternative Performance Measures pages 84 and 85.

Share Price
at 30 September

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Middle market price per share – pence	214.3	206.0	225.5	252.5	258.0	256.0	287.0	321.0	327.0	325.0	**249.0**
(Discount)/premium to NAV – %	3.1	5.2	1.6	0.4	2.5	2.2	2.1	1.2	0.9	(1.2)	**(0.3)**
Share price high – pence	221.3	232.0	227.0	269.0	271.8	277.0	289.8	327.5	350.0	337.0	**358.0**
Share price low – pence	181.0	199.0	195.0	222.8	248.0	233.8	234.8	274.0	309.5	276.5	**193.8**

Revenue
for the year ended 30 September

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Available for ordinary shares (£'000s)	6,755	8,341	8,715	9,941	9,575	9,475	10,785	11,459	11,710	13,426	**8,758**
Earnings per share – pence	8.02	9.75	10.01	11.26	10.56	10.10	11.26	11.71	11.70	13.12	**8.34**
Dividends per share – pence	8.45	8.65	9.00	9.45	9.85	10.10	10.30	10.65	10.95	11.40	**11.50**

Revenue Performance
rebased to 100 at 30 September 2010

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Earnings per share	100.0	121.6	124.8	140.4	131.7	125.9	140.4	146.0	145.9	163.6	**104.0**
Dividends per share	100.0	102.4	106.5	111.8	116.6	119.5	121.9	126.0	129.6	134.9	**136.1**
CPI	100.0	104.5	107.4	110.1	111.8	111.8	112.5	115.6	118.5	121.0	**123.4**

Cost of running the Company (TER/ongoing charges)(1)
for the year ended 30 September

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expressed as a percentage of average net assets:											
Ongoing charges(2)	0.88	0.82	0.80	0.62	0.66	0.64	0.64	0.59	0.58	0.58	**0.58**

Gearing(1)
at 30 September

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net gearing %	7.05	9.08	1.22	3.81	4.43	10.32	9.32	4.81	4.51	1.71	**7.06**

(1) See Alternative Performance Measures pages 84 and 85.
(2) Prior to 2011 calculated as TER

Analysis of Ordinary Shareholders (unaudited)

Category	Holding % at 30 September 2020	Holding % at 30 September 2019
BMO Savings Plans	**79.9**	79.4
Direct Individuals	**8.5**	8.8
Institutions	**6.3**	6.3
Intermediaries	**5.3**	5.4
	100.0	100.0

Source: BMO GAM.

Notice of Annual General Meeting

Notice is hereby given that the twenty eighth Annual General Meeting of the Company will be held at Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG on Tuesday 16 February 2021 at 11.30 a.m. for the following purposes:

Ordinary Resolutions:

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

1. To receive and adopt the Directors' Report and Accounts for the year ended 30 September 2020 together with the Independent Auditors' report thereon.
2. To approve the Company's dividend policy with regard to quarterly payments as set out on page 35 of the Report and Accounts 2020.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2020.
4. To re-elect Jonathan Cartwright as a Director.
5. To re-elect Sharon Brown as a Director.
6. To re-elect Clare Dobie as a Director.
7. To re-elect Jane Lewis as a Director.
8. To re-elect Tim Scholefield as a Director.
9. To elect Nicky McCabe as a Director.
10. To re-appoint BDO LLP as auditors to the Company.
11. To authorise the Audit and Management Engagement Committee to determine the remuneration of the auditors.
12. THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the **"Act"**), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being **"relevant securities"**) up to an aggregate nominal amount of £2,761,600 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2022 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the **"relevant period"**); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolutions:

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

13. THAT, subject to the passing of Resolution 12 set out above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the **"Act"**), to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority given by the said Resolution 12 above for cash, and/or to sell equity securities which are held by the Company in treasury, during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2022 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the **"relevant period"**) up to an aggregate nominal amount of £2,761,600, in each case as if Section 561(1) of the Act did not apply to any such allotment or transfer; save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.
14. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the **"Act"**), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company (**"ordinary shares"**) on such terms and in such manner as the Directors may from time to time determine, provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 16,018,916;
    (b) the minimum price which may be paid for an ordinary share shall be 25 pence;
    (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
    (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
    (e) the authority hereby conferred shall expire on the date which is 15 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and

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

15. To increase the aggregate limit on Directors' remuneration from £180,000 to £250,000 per annum.

By Order of the Board
BMO Investment Business Limited,
Secretary
25 November 2020

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

Notes:

1. Given the current situation in relation to the COVID-19 pandemic and in particular Government guidelines in relation to public gatherings, the Board is concerned for the safety and wellbeing of Shareholders. Therefore, the Board has resolved that, in accordance with the Articles, Shareholders will not be permitted to attend the Annual General Meeting on health and safety grounds.
2. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member. Shareholders are strongly advised to appoint the chairman of the General Meeting as their proxy, as a third party proxy holder will not be able to be given access to the Annual General Meeting.
3. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
4. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4094. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Amended instructions must also be received by the Company's Registrar by the deadline for receipt of Forms of Proxy.
5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website www.eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4094.
6. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 11.30 a.m. on 9 February 2021. Alternatively, voting directions can be submitted electronically at www.eproxyappointment.com by entering the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 11.30 a.m. on 9 February 2021.
7. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "Nominated Person") should note that the provisions in notes 1, 3 and 4 opposite concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
8. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at close of business on 12 February 2021 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.30 a.m. on 12 February 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 4 and 5 opposite. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (a) the audit of the Company's Accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or
    (b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual Accounts and Reports were laid in accordance with section 437 of the Act.
15. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
16. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
    (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
    (b) if the answer has already been given on a website in the form of an answer to a question; or
    (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
17. As at 23 November 2020, being the latest practicable date before the publication of this notice, the Company's issued capital consisted of 106,864,022 ordinary shares of 25 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 23 November 2020 were 106,864,022. No shares are held in Treasury.
18. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 23 November 2020 being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at bmocapitalandincome.com.
19. Copies of the letters of appointment between the Company and its Directors; a copy of the Articles of Association of the Company; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof.
20. No Director has a service agreement with the Company.
21. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:
    (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.
22. Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Information for Shareholders

Net Asset Value and share price

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

Performance information

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

UK capital gains tax ("CGT")

An approved investment trust does not pay tax on capital gains. Most UK resident individuals may realise net capital gains of up to £12,300 in the tax year ending 5 April 2021 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,500 in 2020-21 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The fourth interim dividend of 3.75 pence per share is payable on 17 December 2020. Since April 2018 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

AIC

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

Electronic communications

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

Common reporting standards

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

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

Registered in England and Wales with Company Registration No 02732011.

How to Invest

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

BMO Investment Trust ISA

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

BMO Junior ISA (JISA)*

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

BMO Child Trust Fund (CTF)*

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

BMO General Investment Account (GIA)

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

BMO Junior Investment Account (JIA)

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

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

bmoinvestments.co.uk

facebook.com/bmoinvestmentsuk

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

ANNUAL ACCOUNT CHARGE

ISA: £60+VAT

GIA: £40+VAT

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

DEALING CHARGES

ISA: 0.2%

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

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

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

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

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

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

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

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

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

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

BMO Asset Management Limited

Alternative Performance Measures

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

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

		30 September 2020 pence	30 September 2019 pence
Net Asset Value per share	(a)	**249.65**	328.99
Share price per share	(b)	**249.00**	325.00
(Discount) or Premium (c = (b-a)/a)	(c)	**(0.3%)**	(1.2%)

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

		30 September 2020 £'000	30 September 2019 £'000
Loan		**20,000**	10,000
Less Cash and cash equivalents		**(1,183)**	(4,229)
Total	(a)	**18,817**	5,771
Net Asset Value	(b)	**266,395**	338,149
Gearing (c = a/b)	(c)	**7.06%**	1.71%

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 (see Historic Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing shares.

Ongoing charges calculation		30 September 2020 £'000	30 September 2019 £'000
Management fees		**1,218**	1,334
Other expenses		**583**	547
Broker fee		**12**	12
Less loan commitment/arrangement fees		**(13)**	(8)
Ad-hoc non-recurring expenses		**(50)**	(31)
Total	(a)	**1,750**	1,854
Average daily net assets	(b)	**301,726**	318,985
Ongoing charges (c = a/b)	(c)	**0.58%**	0.58%

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

	Net Asset Value	Share price
NAV/Share Price per share at 30 September 2019 (pence)	**328.99**	**325.00**
NAV/Share Price per share at 30 September 2020 (pence)	**249.65**	**249.00**
Change in the year	**(24.1%)**	**(23.4%)**
Impact of dividend reinvestments	**3.1%**	**3.0%**
Total return for the year	**(21.0%)**	**(20.3%)**

Glossary of Terms

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

Administrator – State Street Bank and Trust Company.

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

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

AIM – the Alternative Investment Market.

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

BMO – Bank of Montreal, which is the ultimate parent company of the "**Manager**".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Manager – BMO Investment Business Limited, (AIFM), and its sister company BMO Asset Management Limited. These two companies are owned by Bank of Montreal ("**BMO**").

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

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

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

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

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

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

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

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

Warning to Shareholders – Beware of Share Fraud.

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

If you receive unsolicited investment advice or requests:

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

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

BMO Capital and Income Investment Trust PLC

Report and Accounts 2020

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